

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549**

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended August 31, 2022

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from , 20 , to , 20 .

Commission File Number 001-40089

Novo Integrated Sciences, Inc.

(Exact Name of Registrant as Specified in its Charter)

Nevada

(State or Other Jurisdiction of
Incorporation or Organization)

59-3691650

(I.R.S. Employer
Identification No.)

**11120 NE 2nd Street, Suite 100
Bellevue, Washington**

(Address of Principal Executive Offices)

98004

(Zip Code)

(206) 617-9797

(Registrant's Telephone Number, Including Area Code)

N/A

(Former name or former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class

Common Stock

Trading Symbol(s)

NVOS

Name of each exchange on which registered

Nasdaq Capital Market

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on an attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error in previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to § 240.10D-1(b).

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter, February 28, 2022, was \$14,672,017.

There were 144,257,518 shares of the registrant's common stock, \$0.001 par value per share, outstanding as of March 31, 2023.

Documents Incorporated by Reference

None

Novo Integrated Sciences, Inc.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K and the documents incorporated herein by reference contain forward-looking statements. Such forward-looking statements are based on current expectations, estimates and projections about Novo Integrated Sciences, Inc.'s industry, management beliefs, and assumptions made by management. Words such as "anticipates," "expects," "intends," "plans," "believes," "seeks," "estimates," variations of such words and similar expressions are intended to identify such forward-looking statements. These statements are not guarantees of future performance and are subject to certain risks, uncertainties and assumptions that are difficult to predict; therefore, actual results and outcomes may differ materially from what is expressed or forecasted in any such forward-looking statements. Although we believe the expectations reflected in our forward-looking statements are based upon reasonable assumptions, it is not possible to foresee or identify all factors that could have a material effect on the future financial performance of the Company. The forward-looking statements in this Annual Report on Form 10-K are made on the basis of management's assumptions and analyses, as of the time the statements are made, in light of their experience and perception of historical conditions, expected future developments and other factors believed to be appropriate under the circumstances. Except as otherwise required by the federal securities laws, we disclaim any obligation or undertaking to publicly release any updates or revisions to any forward-looking statement contained in this Annual Report on Form 10-K and the information incorporated by reference in this Annual Report on Form 10-K to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any statement is based.

PART I

ITEM 1. BUSINESS

Business Overview

Novo Integrated Sciences, Inc. ("Novo Integrated") was incorporated in Delaware on November 27, 2000, under the name Turbine Truck Engines, Inc. On February 20, 2008, the Company was re-domiciled to the State of Nevada. Effective July 12, 2017, the Company's name was changed to Novo Integrated Sciences, Inc. When used herein, the terms the "Company," "we," "us" and "our" refer to Novo Integrated and its consolidated subsidiaries.

The Company owns Canadian and U.S. subsidiaries which provide, or intend to provide, essential and differentiated solutions to the delivery of multidisciplinary primary care and related wellness products through the integration of medical technology, interconnectivity, advanced therapeutics, diagnostic solutions, unique personalized product offerings, and rehabilitative science.

We believe that "decentralizing" healthcare, through the integration of medical technology and interconnectivity, is an essential solution to the rapidly evolving fundamental transformation of how non-catastrophic healthcare is delivered both now and in the future. Specific to non-critical care, ongoing advancements in both medical technology and inter-connectivity are allowing for a shift of the patient/practitioner relationship to the patient's home and away from on-site visits to primary medical centers with mass-services. This acceleration of "ease-of-access" in the patient/practitioner interaction for non-critical care diagnosis and subsequent treatment minimizes the degradation of non-critical health conditions to critical conditions as well as allowing for more cost-effective healthcare distribution.

The Company's decentralized healthcare business model is centered on three primary pillars to best support the transformation of non-catastrophic healthcare delivery to patients and consumers:

- First Pillar: Service Networks. Deliver multidisciplinary primary care services through (i) an affiliate network of clinic facilities, (ii) small and micro footprint sized clinic facilities primarily located within the footprint of box-store commercial enterprises, (iii) clinic facilities operated through a franchise relationship with the Company, and (iv) corporate operated clinic facilities.
- Second Pillar: Technology. Develop, deploy, and integrate sophisticated interconnected technology, interfacing the patient to the healthcare practitioner thus expanding the reach and availability of the Company's services, beyond the traditional clinic location, to geographic areas not readily providing advanced, peripheral based healthcare services, including the patient's home.
- Third Pillar: Products. Develop and distribute effective, personalized health and wellness product solutions allowing for the customization of patient preventative care remedies and ultimately a healthier population. The Company's science-first approach to product innovation further emphasizes our mandate to create and provide over-the-counter preventative and maintenance care solutions.

Innovation through science combined with the integration of sophisticated, secure technology assures us of continued cutting edge advancement in patient first platforms.

First Pillar - Service Networks for Hands-on Patient Care

Our clinicians and practitioners provide certain multidisciplinary primary health care services, and related products, beyond the medical doctor first level contact identified as primary care. Our clinicians and practitioners are not licensed medical doctors, physicians, specialist, nurses or nurse practitioners. Our clinicians and practitioners are not authorized to practice primary care medicine and they are not medically licensed to prescribe pharmaceutical based product solutions.

Our team of multidisciplinary primary health care clinicians and practitioners provide assessment, diagnosis, treatment, pain management, rehabilitation, education and primary prevention for a wide array of orthopedic, musculoskeletal, sports injury, and neurological conditions across various demographics including pediatric, adult, and geriatric populations through our 17 corporate-owned clinics, a contracted network of affiliate clinics, and eldercare related long-term care homes, retirement homes, and community-based locations in Canada.

Our specialized multidisciplinary primary health care services include physiotherapy, chiropractic care, manual/manipulative therapy, occupational therapy, eldercare, massage therapy (including pre- and post-partum), acupuncture and functional dry needling, chiropody, stroke and traumatic brain injury/neurological rehabilitation, kinesiology, vestibular therapy, concussion management and baseline testing, trauma sensitive yoga and meditation for concussion-acquired brain injury and occupational stress-PTSD, women's pelvic health programs, sports medicine therapy, assistive devices, dietitian, holistic nutrition, fall prevention education, sports team conditioning programs including event and game coverage, and private personal training.

Additionally, we continue to expand our patient care philosophy of maintaining an on-going continuous connection with our current and future patient community, beyond the traditional confines of brick-and-mortar facilities, by extending oversight of patient diagnosis, care and monitoring, directly through various Medical Technology Platforms either in-use or under development.

The occupational therapists, physiotherapists, chiropractors, massage therapists, chiropodists and kinesiologists contracted, by NHL, to provide occupational therapy, physical therapy and fall prevention assessment services are registered with the College of Occupational Therapists of Ontario, the College of Physiotherapists of Ontario, College of Chiropractors of Ontario, College of Massage Therapists of Ontario, College of Chiropodists of Ontario, and the College of Kinesiologists of Ontario regulatory authorities.

Our strict adherence to public regulatory standards, as well as self-imposed standards of excellence and regulation, have allowed us to navigate with ease through the industry's licensing and regulatory framework. Compliant treatment, data and administrative protocols are managed through a team of highly trained, certified health care and administrative professionals. We and our affiliates provide service to the Canadian property and casualty insurance industry, resulting in a regulated framework governed by the Financial Services Commission of Ontario.

Affiliate Clinics

In order to strengthen our position within the Canadian Preferred Provider Network ("PPN"), we've built a contracted affiliate relationship with 115 clinics across Canada with 85 affiliate clinics in Ontario province and 30 affiliate clinics located throughout Alberta, Nova Scotia and Newfoundland.

The PPN is a network of three major insurance companies and their subsidiaries, totaling 16 insurance companies. PPN member insurance companies, in need of specific multidisciplinary primary health care solutions for their patients, send referrals to specific clinics registered through the PPN. We, as one of five major providers to the PPN, receive referrals through the PPN. This subset of business is a continuous source of referrals, from the insurance company payer to the approved group of clinics meeting the insurance companies' pre-determined set of criteria for what they believe to be an appropriate clinical setting. Affiliate clinics pay us a mix of a flat fee and a percentage-based fee upon receipt of a payment for a service referred through the PPN.

The services provided by our affiliate clinics are consistent with the multidisciplinary primary health care services provided by our own corporate clinics. While each affiliate clinic may provide additional unique health care solutions, all affiliate clinics must meet specific criteria established under the PPN, creating a single standard of excellence across all clinics within our network.

LA Fitness U.S. and Canada Micro Clinics

In September 2019, through its U.S. subsidiary Novomerica Health Group, Inc. ("Novomerica") and its Canadian subsidiary, Novo Healthnet Limited, the Company entered into exclusive Master Facility License Agreements ("License Agreement") to establish and operate reduced footprint clinics, or "micro-clinics", to provide outpatient physical and/or occupational therapy services and related products within LA Fitness facilities in both the U.S. and Canada. In March 2020, as a result of guidelines issued by local, state, federal, and provincial authorities due to the COVID-19 pandemic, LA Fitness U.S. and Canada closed all facilities nationwide. As a result, all contractual terms and conditions of both our U.S. and Canada Master Facility License Agreements were placed on hold through fiscal year 2021 with all parties expressing the intent to amend both the U.S. and Canada License Agreements and related timelines to launch our LA Fitness micro-clinic facilities as "normal" activity resumes in the LA Fitness U.S. and Canada facilities.

On December 15, 2021, NHL entered into an Amended and Restated Master Facility License Agreement (the “Amended and Restated Canada License Agreement”) with LAF Canada Company (“LA Fitness Canada”). The Amended and Restated Canada License Agreement had the effect of (i) removing NHL’s obligation to develop and open a certain number of facilities within certain designated time periods; and (ii) revising the default provisions such that certain defaults will result only in termination with respect to a specific facility, rather than of the license itself. As a result of the Amended and Restated Canada License Agreement, NHL may continue to develop and open additional facilities for business.

We cannot guarantee that the U.S. License Agreement will be amended to allow for an extension of its timeline. Currently, under both government and internal corporate directives, LA Fitness continues to both open and expand operations, access and services offered in both its U.S. and Canada facilities. Opening of our micro-clinic facilities may vary from state to state and province-to-province; however, our model plan to partner and sub-license with existing local clinic ownership to launch and operate each of our LA Fitness micro-clinic facilities remains intact. Due to the ever-changing conditions surrounding the operations of both U.S. and Canada based LA Fitness facilities, we are unable to verify our schedule to commence opening our micro-clinics, but we are tentatively planning on a target of the latter part of 2023.

Eldercare

The Company’s eldercare related operations provide physiotherapy (“PT”), occupational therapy (“OT”), assessment and application assistance for assistive devices, fall prevention programs, community-based strengthening and general flexibility exercise classes, rehabilitative strategies and continuing education to eldercare clients, including caregivers and family members as applicable, in various long-term care homes, retirement homes and community-based locations across the province of Ontario, Canada.

As a result of NHL’s September 2013 asset acquisition of Peak Health LTC Inc, an Ontario corporation formed in 2006, NHL has more than 15-years’ experience of providing certain multidisciplinary related healthcare services and products to the eldercare community. In 2017, based on the philosophical overlap and synchronicity between PT and OT, NHL launched its occupational therapy sector of services for our eldercare clients. NHL’s eldercare focused OT and PT services and product are in direct competition with the top providers in this sector. We offer one of the most extensive rosters of OT and PT clinicians certified by the Ministry of Health for assistive device assessment under the Assistive Device Program which, when the individual meets the criteria, allows our eldercare clients access to significant funding subsidies to purchase varying mobility aids (such as walkers, wheelchairs, seating, and power wheelchairs/scooters).

Additionally, our proprietary Electronic Rehabilitation Record and Management Reporting software solution provides us the ability to deliver each eldercare location with a wide-array of detailed PT and OT reports that include, among other things: (i) client specific treatment details, (ii) identifying cost and optimization possibilities, (iii) outlining a wide variety of client outcome measurements, (iv) analyzing overall contract effectiveness, and (v) producing indicators which assist the NHL team to target opportunities for improved team efficiency. This software comes with an ability to provide a graphically illustrated ‘report card’ for contribution to annual, interdisciplinary care conferences with staff and family members, as well as fall reporting capacities, which are central to many homes’ fall prevention committee meetings. Additionally, data generated by the software allows members from both the NHL team and the eldercare facility team to identify residents who fall frequently and allow for the interdisciplinary team to put strategies in place to better reduce a resident’s “fall-risk”.

NHL has created and delivers, through online virtual technology, a variety of eldercare related educational in-service programs which include topics such as nursing restorative education, back education and other eldercare-relevant topics such as osteoporosis, fall prevention, wheelchair positioning, and least restraints. NHL has designed its virtual online education in-service programs and modules to be presented in a variety of formats to facilitate the different capacity and styles of learning common to senior-aged individuals.

Our eldercare PT services are provided as follows:

1. **Long-Term Care Homes.** NHL contracts with long-term care homes to provide individualized, onsite PT and group exercise classes for its residents. Registered physiotherapists are assisted by on-site support personnel to deliver individualized care, based on assessed needs, and with a goal of assisting each resident to attain and maintain their highest level of function possible with their activities of daily living. These services are primarily funded by the Ontario Ministry of Long-Term Care ("MLTC"). The NHL team assists in providing assistive device assessments allowing residents access to funding assistance for varying mobility aids (such as walkers, wheelchairs, seating, and power wheelchairs/scooters). In addition to providing PT services, our team assists the long-term care home's interdisciplinary team in the homes' annual care conferences with its residents. Through the provision of education regarding nursing restorative programming, our team assists the long-term care home's team in back education, fall prevention and many other subjects related to PT or physical health and wellness. The NHL team works together with the interdisciplinary team to assist with mandatory coding of Canada's Resident Assessment Instrument Minimum Data Set ("RAI-MDS") which is the standardized assessment tool required for the home to access payment from the MLTC for each resident. Additionally, through NHL's proprietary software, the homes have access to abundant reporting solutions to help provide objective and quantitative measures for their continuous quality improvement program. NHL's proprietary software provides our eldercare client locations with the unique ability to login and access multiple data points related to a multitude of therapy services provided to its residents, allowing for detailed, rapid reporting and accountability.
2. **Retirement Homes.** We contract with client retirement homes to provide individualized PT and group exercise classes to the retirement homes' residents. Registered physiotherapists are assisted by the onsite support personnel to deliver individualized care based on assessed needs, again with a goal of assisting the residents participating in therapy to attain and maintain their level of function related to the activities of daily living. These services are partially funded by the individual and partly funded by the MLTC. Similar to the long-term care sector, our team assists with education of the nursing/interdisciplinary team, provides in depth service reports to the homes to measure desired service delivery and our proprietary software allows for the retirement home to have the same unique login capacity. In addition to the services above, some of the residents in the retirement homes, and as applicable the resident's family members, can request and authorize receiving an increased level of physiotherapy related services available privately on a fee-for-service basis paid by the individual. In addition, access to Registered Massage Therapists and Speech Language Pathologists is also offered on a fee-for-service basis.
3. **Community Based Home Care Physiotherapy.** Throughout the province of Ontario, the MLTC operates 14 Home and Community Care Support Services organizations ("HCCSS") which are health authorities responsible for regional administration of public health care services. The HCCSS' serve as contact points, information clearing houses, referral resources, and assessment / care coordinators for eligible residents who need health care assistance at home or a safer place to live through aging at home strategies that can be put in place by health care providers. Through service contracts, the HCCSS' engage "cluster providers" to provide services to clients living in the community, clients living at-home or clients living in a retirement home. These service contracts are funded by the MLTC.
NHL is a "cluster provider" sub-contractor for home care physiotherapy in the Northeast HCCSS which encompasses more than 565,000 people across 400,000 square kilometers and five sub-regions. Through this subcontract arrangement, we provide one-on-one physiotherapy assessment and treatment to clients who cannot easily access outpatient services due to mobility challenges. Primarily, these clients are elderly with multiple co-morbidities, although some clients are not elderly and are instead simply post-operative with mobility challenges.
4. **Community Based Group Exercise Classes & Fall Prevention Programs.** NHL has contracted with 2 "cluster providers" to provide group exercise classes and fall prevention programs (consisting of an assessment accompanied by education and group exercise classes) in 3 separate HCCSS' s (Central, Toronto Central and Central East) which encompass the Greater Toronto area with an estimated aggregate population of 4.4 million people. In 2013, the MLTC introduced several initiatives designed to assist seniors in maintaining an active and healthy lifestyle while still living at home. Under the 2013 initiative, exercise instructors under contract with NHL, deliver group exercise classes over a 48-week period each year.

In addition, another component of the 2013 MLTC initiative is the delivery of fall prevention programs with entry and exit assessments completed by specialized registered providers such as kinesiologists and physiotherapists with the assistance of exercise instructors for the group class and education portion of the program. The goal of these classes is to assess seniors' general health status, identify defined levels of risk pertaining to balance and falling, and educate seniors about fall prevention through a combination of increased knowledge and teaching exercises designed to improve strength and balance.

5. **Community-based Outpatient Clinics.** NHL provides outpatient physiotherapy, chiropractic, and laser technology services through a community-based clinic in the province of Ontario. The services provided at the clinic are funded by Motor Vehicle Accident treatment plans, extended health benefits insurance coverage, or private payment. A portion of the services provided at the clinic are funded by the MLTC in the form of Episodes of Care and these services are specifically targeted to be delivered to clients who meet the following criteria:

- Aged 65 years of age and older or aged 18 years of age and younger, and
- Are post-operative, or
- Have just been discharged from a hospital, or
- Are receiving services from the Ontario Disability Services Program or Ontario Works.

Our eldercare OT services are provided, through two separate sectors, as follows:

1. **Long-Term Care Sector.** We contract with client homes to provide the following OT services:

- Assessments and interventions to support maintenance and restoration of function related to seating, mobility, positioning for self-care, prevention of pressure ulcers, falls and use of restraints,
- Speech language pathology services, including evaluation and treatment,
- Swallowing and eating assessments and interventions,
- Cognitive behavioral assessments and care planning,
- Our occupational therapists have specialized training in mobility providing assistive device assessments when required. This service is funded primarily by the MLTC.

2. **Retirement Home & Community.** We provide the following OT services through individual contracts with private payers:

- Home safety assessments,
- Functional assessments,
- In-home activities of daily living assessments,
- Assessment and completion of applications for assistive devices (mobility aids),
- Custom seating and mobility consultations,
- Case management services, and
- Speech language pathology services, including evaluation and treatment.

Second Pillar - Interconnected Technology for Virtual Ecosystem of Services, Products and Digital Health Offerings

Decentralization through the integration of interconnected technology platforms has been adopted and is thriving in a variety of sectors and industries such as transportation (Uber, Lyft), real estate (Zillow, Redfin, Airbnb, VRBO), used car sales (Carvana, Vroom), stock and financial markets (Robinhood, Acorns, Webull) and so many other sectors. Yet decentralization of the non-critical primary care and wellness sector of healthcare is lagging significantly in capability and benefit for patient access and delivery of services and products. The COVID pandemic has taught both patients and healthcare providers the viability, importance, and benefits of decentralized access to primary care simply through the rapid adoption of telehealth/telemedicine.

The Company's focus on a holistic approach to patient-first health and wellness, through innovation and decentralization, includes maintaining an on-going continuous connection with our current and future patient community, beyond the traditional confines of brick-and-mortar facilities, by extending oversight of patient evaluation, diagnosis, treatment solutions, and monitoring, directly through various Medical Technology Platforms and periphery tools either in-use or under development. Through the integration and deployment of sophisticated and secure technology and periphery diagnostic tools, the Company is working to expand the reach of our non-critical primary care services and product offerings, beyond the traditional clinic locations, to geographic areas not readily providing advanced primary care service to date, including the patient's home.

Novo Connect

The Company believes the healthcare industry is in the early stages of a fundamental transformation of the patient-practitioner-health insurer relationship whereby the patient is demanding greater control and care collaboration for their health and wellness needs while the practitioner desires dramatic improved efficiency in the delivery of their expertise to the patient. Novo Connect, the Company's proprietary mobile application, is a secure, cloud-based health and commerce web application intended to assist patients as they explore, connect, manage, and have direct control of their personalized health and wellness needs. Novo Connect is designed to integrate the Company's interconnected technology and provide the patient a single platform with a robust healthcare ecosystem of services, products and digital health offerings.

The current system for delivery and access to primary care is fragmented, requiring patients to use multiple access points, portals, and applications to track various practitioner and health plan interactions for which each practitioner and health plan maintains separate records. Too many times, as a patient ages, the current systems make it almost impossible to have a central data set of a patients' health history, many times losing various time periods of health history. Novo Connect is intended to empower the patient by providing a single platform that offers the care services, tracking, and secure recordkeeping to better navigate care choices.

Specific to non-critical care, the patient-practitioner relationship is shifting away from on-site visits to primary medical centers with mass-services and to the patient's home and micro-clinics. Novo Connect is intended to provide "ease-of-access" in the patient/practitioner interaction for non-critical care diagnosis and subsequent treatment minimizing the degradation of non-critical health conditions to critical conditions as well as allowing for more cost-effective healthcare distribution. The services and products available through Novo Connect may be provided either directly by the Company or an affiliated network of service or product providers across a variety of specialties.

Novo Connect is intended to provide a suite of secure, reliable engagement features including, but not limited to,

- **Connect Now:** a real-time scheduling solution to connect with our affiliate practitioners and physicians
- **Connect Storage:** Secure Document storage
- **Connect Community:** a community chat forum to share and discuss various conditions to include curated "channels" offering health and wellness solutions and insight
- **Connect CarePlan** - a patient-specific care plan developed by providers, augmented with product and service solutions, to address various conditions
- Remote bill pay
- Remote patient monitoring interface

As of August 31, 2022, Novo Connect is in limited commercialization through certain of the Company's corporate owned clinics with expanded commercialization intended to launch in the latter part of 2023.

Telemedicine/Telehealth

The pandemic has taught both patients and healthcare providers the viability, importance, and benefits of telemedicine technology for non-catastrophic primary care. Telemedicine is transforming traditional approaches to healthcare by providing ease of access and reduced costs for patients, particularly in areas with limited access to both clinicians and medically licensed providers. In a post-pandemic global environment, telemedicine is more readily being adopted by patients, practitioners, clinicians, medical licensed providers, and health insurers for limited diagnostic and treatment solutions. We believe to date, telehealth technology usage is one dimensional and limiting in comfort for practitioners to provide in-depth diagnosis and treatment solutions.

Through both internal development and partnerships, the Company is working to provide the next generation of telehealth technology to offer the patient and the practitioner a sophisticated and enhanced telehealth interaction using an interface of sophisticated periphery based diagnostic tools, such as a blood pressure reading device, a derma scope, an ophthalmoscope, otoscope, and other add-ons operated by skilled support workers in the patient's remote location. This enhanced telehealth experience allows for the practitioner and patient to have a much higher level of ability and comfort to provide a uniquely comprehensive evaluation, diagnosis, and treatment solution thus dramatically elevating the effectiveness of virtual visits that are more resource efficient and as effective as a physical visit.

Remote Patient Monitoring ("RPM")

Through our licensing agreement with Cloud DX, our RPM platform empowers a patient to have direct control of collecting and monitoring real-time vital sign information while maintaining a direct technology link from patient to clinician or medical practitioner. The transfer of vital information from home to clinic or patient to clinician allows for the delivery of high quality, non-redundant diagnostic based proactive healthcare. The implementation of in-clinic patient metrics equivalent to those derived via a remote application in the home environment is the first step in engaging patient retention to remote review. The Cloud DX platform allows us to further expand on our patient-first care philosophy of maintaining an on-going connection with our patient community, beyond the traditional confines of a clinic, extending oversight of patient care and monitoring directly into the patient's home.

Third Pillar - Health and Wellness Products

We believe our science first approach to product offerings further emphasizes the Company's strategic vision to innovate, evolve, and deliver over-the-counter preventative and maintenance care solutions as well as therapeutics and personalized diagnostics that enable individualized health optimization.

As the Company's patient base grows through the expansion of its corporate owned clinics, its affiliate network, its micro-clinic facility openings, its interconnected technology platforms, and other growth initiatives, the development and distribution of high-quality wellness product solutions is integral to (i) offering effective product solutions allowing for the customization of patient preventative care remedies and ultimately a healthier population, and (ii) maintaining an on-going relationship with our patients through the customization of patient preventative and maintenance care solutions.

The Company's product offering ecosystem is being built through strategic acquisitions and engaging in licensing agreements with partners that share our vision to provide a portfolio of products that offer an essential and differentiated solution to health and wellness globally.

Acenzia Inc.

Acenzia Inc. ("Acenzia"), was acquired by the Company's wholly-owned subsidiary, Novo Healthnet Limited in June 2021. Acenzia is in the business of providing nutraceutical health solutions through advanced bio-science research and development, proprietary manufacturing, and personalized diagnostics. In addition, Acenzia has developed a multiple international jurisdiction patented technology platform, using zebra fish, which enables rapid analysis of cancer cells, offering cancer patients and their healthcare providers prediction of early metastasis and drug sensitivity thereby providing important information for diagnosis and treatment ("Zgraft")

Acenzia, founded in 2015, is licensed by multiple international government agencies including Health Canada, the U.S. FDA and the European Union for Good Manufacturing Practices (GMP) for over-the-counter and dietary supplement manufacturing. In addition, Acenzia maintains multiple third-party licenses including from the National Sanitation Foundation International (NSF) for meeting the required public health standards for manufacturing food, nutrition, and supplements. Acenzia is dedicated to the creation of innovative therapeutics and diagnostics that enables individualized health optimization.

Acenzia's 36,000 square foot facility is located in Windsor Ontario Canada and includes Class 100 pharmaceutical grade cleanrooms and certified laboratories from which Acenzia creates and manufactures evidenced-based dietary, nutraceutical, and food products that can be validated through personalized diagnostics.

PRO-DIP, LLC

PRO-DIP, LLC ("PRO-DIP"), founded in 2015 and based in San Jose, California, was acquired by the Company in May 2021. PRO-DIP has developed and commercialized its proprietary, patent-pending ION Energy oral pouch that delivers flavorful bursts of vitamins and natural energy supplements through small, semi-permeable sachets placed in the mouth, between the gum and cheek or lip. The initial burst of supplements is followed by extended absorption of the nutrients, providing long-lasting energy, even at high-exertion levels. With its hand-free ease of consumption, the ION energy-rich pouch is an alternative to traditional sports supplements. On March 15, 2022, PRO-DIP was issued U.S. Patent No. 11,273,965 by the U.S. Patent and Trademark Office on March 15, 2022. The '965 patent relates to PRO-DIP's novel technology for manufacturing its oral supplement pouches.

In addition to the ION Energy oral pouch, PRO-DIP is developing other pouch types for applications such as hydration, immunity, multi-vitamin, antioxidants, creatine, and sleep.

The PRO-DIP oral pouch delivery system offers broad market applications related to (i) nutritionally focused products and, (ii) medicinal based formulations. The dissolvable oral pouch as the delivery mechanism for certain medications, normally swallowed in pill or tablet format, between the cheek and gum for buccal absorption into the mouth's small blood vessels.

PRO-DIP's current distribution chain includes ADS, Inc., a leading value-added logistics and supply chain solutions provider that serves all branches of the U.S. Military, federal, state, and local government organizations, law enforcement agencies, first responders, partner nations and the defense industry. In addition, PRO-DIP is working to expand its distribution network to include convenience store chains in North America.

Terragenx Inc. and Iodine Micro-nutrient

On November 17, 2021, NHL acquired a 91% controlling interest in Terragenx Inc. and the Company acquired the intellectual property portfolio for the unique formulation and manufacturing capability to produce a water-soluble iodine micro-nutrient that is FDA and Health Canada approved for over-the-counter and e-commerce distribution ("IoNovo").

Iodine is a naturally occurring element and essential nutrient used by the thyroid gland to manufacture necessary hormones in the human body. Iodine is recognized as a world class disinfectant and is one of nature's finest microbial killers of bacteria and virus deactivators. Iodine is an essential micronutrient required for the human body to produce specific thyroid hormones (T3/T4) that activate and strengthen our immune system.

While iodine alone cannot be ingested, through the acquisition of Terragenx and the Iodine IP, Novo has acquired the intellectual property for iodine in an aqueous form that can be safely ingested and has been proven to kill viruses, bacteria and protozoa when sprayed onto your mucous membranes, the entry points for various airborne viruses.

The Company has been granted Natural Product Numbers (NPN) by Health Canada for each of IoNovo GO Iodine, IoNovo Pure Iodine, IoNovo Iodide, and IoNovo for Kids pure iodine oral spray. An NPN is a product license assessed and granted by Health Canada to commercialize a product that is found to be safe, effective, and of high quality.

The IoNovo line of oral sprays are 100% pure and natural with no chemicals, no plastics, and no alcohol.

Intellectual Property and Patents

The Company has acquired intellectual property, including patents, related to health sciences, personal diagnostics, and product applications which include:

1. U.S. Patent No. 11,273,965 issued by the U.S. Patent and Trademark Office on March 15, 2022 for oral and/or buccal delivery pouch and the method of making same. The '965 patent relates to PRO-DIP's novel technology for manufacturing its oral supplement pouches. PRO-DIP's innovative, patented oral supplement pouch delivery system technology provides for broad market applications related to nutritionally focused products and medicinal based formulations. PRO-DIP's initial oral pouch commercial product offering, the ION Energy pouch, is designed for the delivery of flavorful bursts of vitamins and natural energy supplements through small, semi-permeable sachets placed in the mouth, between the gum and cheek or lip. The initial burst of supplements is followed by extended absorption of the nutrients, providing long-lasting energy, even at high-exertion levels. With its hands-free ease of consumption, the energy-rich pouches are an alternative to traditional sports supplements and deliver a daily serving of natural vitamins and nutrients. The invention of the pouch delivery system for nutraceuticals continues to gain mainstream interest from health product manufacturers, medical organizations, big pharma, the military, space organizations, CBD/hemp companies, humanitarian aid groups and the list goes on.
2. U.S. Patent No. 10,760,060B2, issued by the U.S. Patent and Trademark Office on September 1, 2020 for injection and incubation of circulating tumor cells from a cancer biopsy in zebrafish for accelerated prediction of cancer progression and response to treatment ("Zgraft"). Zgraft is a multiple international jurisdiction patented personalized diagnostic technology platform which, using zebra fish, enables rapid analysis of cancer cells, offering cancer patients and their healthcare providers prediction of early metastasis and drug sensitivity thereby providing important information for diagnosis and treatment. The Zgraft platform models tumor progression and analyzes a cancer cell's response to various treatment by transplanting human tumor tissue into a zebrafish allowing researchers to test an individual's tumor cells under various conditions to see how they might respond to certain drug combinations and how the cancer progresses — all without exposing patients to the adverse effects of trying drug combinations that, ultimately, aren't effective for their cases. Essentially, by taking a sample of cancer cells from a patient's own tumors and studying them in a variety of conditions, doctors can now provide a more accurate prognosis of that individual's case. More importantly, we believe doctors can now test a variety of possible drug combinations to see how that articular patient's cancer will respond to them.
3. Intellectual property for generic primary and sub-primary drug formulations (known as bioequivalence) of name brand pharmaceutical reference products related to usage as injectables, ophthalmic, and topical applications.
4. Intellectual property for proprietary designs for a cannabis dosing device, TruDose, which provides real-time analysis for the amount of THC/CBD in the smoke/vapor stream, after the heat point, allowing that once the device has detected the medically prescribed pre-set amount of THC/CBD has been detected, the device shuts off the flow of smoke/vapor so that only the pre-determined dose can be inhaled. The TruDose device is designed and intended to create assurance to delivered doses potentially allowing for broader medical application adoption.
5. Iodine and IoNovo related Intellectual Property and patent pending as follows:
 - a. Canada patent pending for spray devices for dispensing aqueous iodine, and methods of making and using spray devices that dispense aqueous iodine
 - b. U.S. patent pending for controlled gaseous iodine sublimation from solid iodine for atmospheric iodine nutrition, disinfection and therapeutic uses
 - c. U.S. patent pending for an apparatus to produce atmospheric nutritional & disinfectant iodine
 - d. U.S. patent pending for automated high output aqueous iodine production and bottling system

Recent Developments

Coronavirus (COVID-19)

While all of the Company's business units are operational at the time of this filing, any future impact of the COVID-19 pandemic on the Company's operations remains unknown and will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration of the COVID-19 outbreak, new information which may emerge concerning the severity of the COVID-19 pandemic, and any additional preventative and protective actions that governments, or the Company, may direct, which may result in an extended period of continued business disruption, reduced patient traffic and reduced operations. For more information regarding the impact of COVID-19 on the Company, see "—Liquidity and Capital Resources —Financial Impact of COVID-19" of this annual report on Form 10-K.

MiTelemed+ Joint Venture Agreement

On October 8, 2021, the Company and NHL completed a Joint Venture Agreement (the "MiTelemed+ JV") with EK-Tech Solutions Inc. ("EK-Tech") to establish the joint venture company MiTelemed+ Inc., an Ontario province Canada corporation ("MiTelemed+"), to operate, support, and expand access and functionality of EK-Tech's enhanced proprietary Telehealth platform. At closing, EK-Tech contributed all intellectual property, source code, and core data of the iTelemed platform, valued at CAD\$1,500,000, and NHL issued to EK-Tech, non-voting NHL Exchangeable Special Shares, free and clear of all liens and encumbrances, which are issued solely for the purpose of EK-Tech to exchange, for 185,000 restricted shares of Company's common stock solely upon EK-Tech meeting terms and conditions for exchange of the NHL Exchangeable Special Shares as defined in the MiTelemed+ JV. The net profits and net losses of the JV will be split 50/50 between NHL and EK-Tech. As of August 31, 2022, the terms and conditions for the exchange of the NHL Exchangeable Special Shares had not been met.

Terragenx Share Exchange Agreement

On November 17, 2021, the Company and NHL, a wholly owned subsidiary of the Company, entered into that certain Share Exchange Agreement (the "Terra SEA"), dated as of November 17, 2021, by and among the Company, NHL, Terragenx Inc. ("Terra"), TMS Inc. ("TMS"), Shawn Mullins, Claude Fournier, and The Coles Optimum Health and Vitality Trust ("COHV" and collectively with TMS, Mr. Mullins and Mr. Fournier, the "Terra Shareholders"). Collectively, the Terra Shareholders owned 91% of the outstanding shares of Terra (the "Terra Purchased Shares").

Pursuant to the terms of the Terra SEA, NHL agreed to purchase from the Terra Shareholders, and the Terra Shareholders agreed to sell to NHL, the Terra Purchased Shares on the closing date, in exchange for payment by NHL of the purchase price (the "Purchase Price") of CAD\$500,000 (approximately \$398,050) (the "Exchange"). The Purchase Price was to be paid with the issuance, by NHL to the Terra Shareholders, of certain non-voting NHL special shares exchangeable into restricted shares of the Company's common stock (the "NHL Exchangeable Shares"). The total shares of Company common stock allotted in favor of the Terra Shareholders was calculated at a per share price of \$3.35.

The Exchange closed on November 17, 2021. At the closing of the Exchange, (i) the Terra Shareholders transferred to NHL a total of 910 shares of Terra common stock, representing 91% of Terra's outstanding shares, and (ii) a total of 100 NHL Exchangeable Shares were issued to the Terra Shareholders, which NHL Exchangeable Shares are exchangeable into a total of 118,821 restricted shares of the Company's common stock. As a result of the Exchange, NHL has 91% ownership of Terra and full control of the Terra business.

Mullins Asset Purchase Agreement

On November 17, 2021, the Company entered into that certain Asset Purchase Agreement (the "Mullins APA"), dated as of November 17, 2021, by and between the Company and Terence Mullins. Pursuant to the terms of the Mullins APA, Mr. Mullins agreed to sell, and the Company agreed to purchase, all of Mr. Mullins' right, title and interest in and to certain assets directly and indirectly related to any and all iodine-based related products and technologies as specified in the Mullins APA (the "Mullins IP Assets"), in exchange for a purchase price of CAD\$2,500,000 (approximately \$1,990,250) which is to be paid as follows:

- (a) CAD\$2,000,000 (approximately \$1,592,200) is to be issued or allotted to Mr. Mullins only after patent-pending status, in the U.S. or internationally, is designated for all Mullins IP Assets (the "Mullins IP Assets CAD\$2m Shares"), as either restricted shares of Company common stock or NHL Exchangeable Shares, as determined by Mr. Mullins. Once issued or allotted, the Mullins IP Assets CAD \$2m Shares will be held in escrow pending registration and approval for all Mullins IP Assets, and
- (b) CAD\$500,000 (approximately \$398,050) is to be issued in the form of 118,821 restricted shares of Company common stock, free and clear of all liens, pledges, encumbrances, charges, or known claims of any kind, nature, or description, upon closing of the Mullins APA

All shares issued or allotted under the terms and conditions of the Mullins APA are calculated at a value of \$3.35 per share.

In addition, the Company will pay a royalty equal to 10% of net revenue (net profit) of all iodine related sales reported through the Company or any of its wholly owned subsidiaries for a period equal to the commercial validity of the intellectual property.

Jefferson Street Capital Stock Purchase Agreement, Secured Convertible Promissory Note, Partial Payment and Extension of the Jefferson Note

On November 17, 2021, the Company and Terragenx Inc., a majority owned subsidiary of the Company ("Terra"), entered into that certain securities purchase agreement (the "Jefferson SPA"), dated as of November 17, 2021, by and among the Company, Terra and Jefferson Street Capital LLC ("Jefferson"). Pursuant to the terms of the Jefferson SPA, (i) the Company agreed to issue and sell to Jefferson the Jefferson Note (as hereinafter defined); (ii) the Company agreed to issue to Jefferson the Jefferson Warrant (as hereinafter defined); and (iii) the Company agreed to issue to Jefferson 1,000,000 restricted shares of Company common stock (the "Collateral Shares"), as collateral on the Jefferson Note, which is being held by the escrow agent and subject to return to the Company upon full payment of the Jefferson Note; and (iv) Jefferson agreed to pay to the Company \$750,000 (the "Jefferson Purchase Price").

Pursuant to the terms of the Jefferson SPA, on November 17, 2021, Terra issued to Jefferson a secured convertible promissory note (the "Jefferson Note") with a maturity date of May 17, 2022 (the "Maturity Date"), in the principal amount of \$937,500. The Company acted as guarantor on the Jefferson Note. Pursuant to the terms of the Jefferson Note, Terra agreed to pay to Jefferson \$937,500 (the "Principal Amount"), with a purchase price of \$750,000 plus an original issue discount in the amount of \$187,500 (the "OID"), and to pay interest on the Principal Amount at the rate of 1% per annum.

Any amount of principal, interest or other amount due on the Jefferson Note that is not paid when due will bear interest at the rate of the lesser of (i) 12%, or (b) the maximum rate allowed by law.

Jefferson may, at any time, convert all or any portion of the then outstanding and unpaid principal amount and interest into shares of the Company's common stock at a conversion price of \$3.35 per share. The Jefferson Note has a 4.99% equity blocker; provided, however, that the 4.99% equity blocker may be waived (up to 9.99%) by Jefferson, at Jefferson's election, on not less than 61 days' prior notice to the Company.

On November 17, 2021, Jefferson paid the Jefferson Purchase Price of \$750,000 in exchange for the Jefferson Note. Terra intends to use the proceeds for the acquisition of the certain assets directly and indirectly related to any and all iodine-based related products and technologies as specified in the Asset Purchase Agreement (the "Mullins APA"), dated as of November 17, 2021, by and between the Company and Terence Mullins (the "Mullins IP") and thereafter for working capital and other general purposes.

Terra may prepay the Jefferson Note at any time in accordance with the terms of the Jefferson Note.

Except as related to the next transaction after the issue date of the Jefferson Note conducted on the Company's behalf by the Maxim Group LLC ("Maxim"), Terra and the Company agreed to pay to Jefferson on an accelerated basis, any outstanding Principal Amount of the Jefferson Note, along with all unpaid interest, and fees and penalties, if any, from the sources of capital below, at Jefferson's discretion, it being acknowledged and agreed by Jefferson that the Company and Terra have the right to make bona fide payments to vendors with Company common stock:

- At Jefferson's option, 15% of the net cash proceeds of any future financings by the Company, Terra or any subsidiary, whether debt or equity, or any other financing proceeds such as cash advances, royalties or earn-out payments.
- All net proceeds from any sale of assets of the Company, Terra or any subsidiaries other than sales of inventory in the ordinary course of business or receipt by the Company or any subsidiaries of any tax credits or collections pursuant to any settlement or judgement.
- Net proceeds resulting from the sale of any assets outside of the ordinary course of business or securities in any subsidiary.

On June 1, 2022, the Company made a partial payment of \$192,188 towards principal and interest owed on the Jefferson Note. On June 1, 2022, the Company and the note holder agreed to extend the maturity date to November 29, 2022 with a principal amount face value of \$937,500 and interest rate that shall accrue at a rate equal to 1% per annum. Effective February 16, 2023, the Jefferson Note has been paid in full. See Financial Note 19 - *Subsequent Events* for additional information regarding the Jefferson Note.

Platinum Point Capital Stock Purchase Agreement, Secured Convertible Promissory Note, and Full Payment of the Platinum Note

On November 17, 2021, the Company and Terra entered into that certain securities purchase agreement (the "Platinum SPA"), dated as of November 17, 2021, by and among the Company, Terra and Platinum Point Capital LLC ("Platinum"). Pursuant to the terms of the Platinum SPA, (i) the Company agreed to issue and sell to Platinum the Platinum Note (as hereinafter defined); (ii) the Company agreed to issue to Platinum the Platinum Warrant (as hereinafter defined); and (iii) the Company agreed to issue to Platinum 1,000,000 restricted shares of the Company common stock, as collateral on the Platinum Note, which is being held by the escrow agent and subject to return to the Company upon full payment of the Platinum Note; and (iv) Platinum agreed to pay to the Company \$750,000 (the "Platinum Purchase Price").

Pursuant to the terms of the Platinum SPA, on November 17, 2021, Terra issued to Platinum a secured convertible promissory note (the "Platinum Note") with a maturity date of May 17, 2022 (the "Maturity Date"), in the principal amount of \$937,500. The Company acted as guarantor on the Platinum Note. Pursuant to the terms of the Platinum Note, Terra agreed to pay to Platinum \$937,500 (the "Platinum Principal Amount"), with a purchase price of \$750,000 plus an original issue discount in the amount of \$187,500 (the "OID"), and to pay interest on the Principal Amount at the rate of 1% per annum.

Any amount of principal, interest or other amount due on the Platinum Note that is not paid when due will bear interest at the rate of the lesser of (i) 12%, or (b) the maximum rate allowed by law.

Platinum may, at any time, convert all or any portion of the then outstanding and unpaid principal amount and interest into shares of the Company's common stock at a conversion price of \$3.35 per share. The Platinum Note has a 4.99% equity blocker; provided, however, that the 4.99% equity blocker may be waived (up to 9.99%) by Platinum, at Platinum's election, on not less than 61 days' prior notice to the Company.

On November 17, 2021, Platinum paid the Platinum Purchase Price of \$750,000 in exchange for the Platinum Note. Terra intends to use the proceeds for the acquisition of the Mullins IP and thereafter for working capital and other general purposes.

Terra may prepay the Platinum Note at any time in accordance with the terms of the Platinum Note.

Except as related to the next transaction after the issue date of the Platinum Note conducted on the Company's behalf by the Maxim, Terra and the Company agreed to pay to Platinum on an accelerated basis, any outstanding Principal Amount of the Platinum Note, along with all unpaid interest, and fees and penalties, if any, from the sources of capital below, at Platinum's discretion, it being acknowledged and agreed by Platinum that the Company and Terra have the right to make bona fide payments to vendors with Company common stock:

- At Platinum's option, 15% of the net cash proceeds of any future financings by the Company, Terra or any subsidiary, whether debt or equity, or any other financing proceeds such as cash advances, royalties or earn-out payments.
- All net proceeds from any sale of assets of the Company, Terra or any subsidiaries other than sales of inventory in the ordinary course of business or receipt by the Company or any subsidiaries of any tax credits or collections pursuant to any settlement or judgement.
- Net proceeds resulting from the sale of any assets outside of the ordinary course of business or securities in any subsidiary

On June 1, 2022, the Company made an aggregated payment of \$948,874, including all principal and interest owed, on the Platinum Note.

December 2021 Registered Direct Offering

On December 14, 2021, the Company entered into a Securities Purchase Agreement with an accredited institutional investor (the “Purchaser”) pursuant to which the Company agreed to issue to the Purchaser and the Purchaser agreed to purchase (the “Purchase”), in a registered direct offering, (i) \$16,666,666 aggregate principal amount of the Company’s senior secured convertible notes, which notes are convertible into shares of the Company’s common stock, under certain conditions (the “Notes”); and (ii) warrants to purchase up to 5,833,334 shares of the Company’s common stock (the “Warrants”). The securities, including up to 68,557,248 shares of common stock issuable upon conversion under the Notes and up to 5,833,334 shares of common stock issuable upon exercise of the Warrants, are being offered by the Company pursuant to an effective shelf registration statement on Form S-3 (File No. 333-254278), which was declared effective by the SEC on March 22, 2021. The Purchase closed on December 14, 2021.

The Notes have an original issue discount of 10%, resulting in gross proceeds to the Company of \$15,000,000. The Notes bear interest of 5% per annum and mature on June 14, 2023, unless earlier converted or redeemed, subject to the right of the Purchaser to extend the date under certain circumstances. The Company will make monthly payments on the first business day of each month commencing on the calendar month immediately following the sixth month anniversary of the issuance of the Notes through June 14, 2023, the maturity date, consisting of an amortizing portion of the principal of each Note equal to \$1,388,888 and accrued and unpaid interest and late charges on the Notes. All amounts due under the Notes are convertible at any time, in whole or in part, at the holder’s option, into common stock at the initial conversion price of \$2.00, which conversion price is subject to certain adjustments; provided, however, that the Notes have a 9.99% equity blocker. If an event of default occurs, the holder may convert all, or any part, of the principal amount of a Note and all accrued and unpaid interest and late charge at an alternate conversion price, as described in the Notes. Subject to certain conditions, the Company has the right to redeem all, but not less than all, of the remaining principal amount of the Notes and all accrued and unpaid interest and late charges in cash at a price equal to 135% of the amount being redeemed.

The Warrants are exercisable at an exercise price of \$2.00 per share and expire on the fourth anniversary of December 14, 2021, the initial issuance date of the Warrants.

As of August 31, 2022, the principal balance owed on the December 14, 2021 Notes is approximately \$11,230,555. See Financial Note 19—*Subsequent Events* for additional information regarding the December 14, 2021 Notes.

LA Fitness Canada Amended and Restated License Agreement & Amended and Restated Guaranty

On December 15, 2021, NHL entered into an Amended and Restated Master Facility License Agreement (the “Amended and Restated Canada License Agreement”) with LAF Canada Company (“LA Fitness Canada”). The Amended and Restated Canada License Agreement had the effect of (i) removing NHL’s obligation to develop and open a certain number of facilities within certain designated time periods; and (ii) revising the default provisions such that certain defaults will result only in termination with respect to a specific facility, rather than of the license itself. As a result of the Amended and Restated Canada License Agreement, NHL may continue to develop and open additional facilities for business.

Pursuant to the terms of the Amended and Restated Canada License Agreement, the Company entered into that certain Guaranty Agreement (the “Canada Guaranty”) dated December 15, 2021 by and between the Company, Fitness International, LLC and LA Fitness Canada, pursuant to which the Company irrevocably guaranteed the full, unconditional, and prompt payment and performance of all of NHL’s obligations and liabilities under the Amended and Restated Canada License Agreement.

Consulting Services Agreement

On December 20, 2021, the Company executed a Consulting Services Agreement for financial and corporate consulting services over a 3-month term. As consideration for payment of services, the Company paid (i) 50,000 restricted shares of common stock, and (ii) \$25,000 per month for the 3-month term. On December 20, 2021, the Company issued 50,000 shares of restricted common stock. On January 24, 2022, the Company issued 50,000 restricted shares of common stock. On February 24, 2022, the Company issued 50,000 restricted shares of common stock.

Stock Option Grant to Independent Directors

On February 23, 2022, the Company granted, pursuant to the Company's 2021 Equity Incentive Plan (the "2021 Plan"), a stock option to purchase 93,955 shares of common stock at an exercise price of \$1.33 to each of the Company's then-independent directors, Alex Flesias, Robert Oliva and Michael Pope. Effective June 30, 2022, Mr. Oliva resigned as a member of the Board of Directors. Each stock option vests, and becomes exercisable, (i) with respect to 7,833 shares each month, beginning on the date of grant, until December 23, 2022, and (ii) with respect 7,832 shares on January 23, 2023. Each stock option expires on February 23, 2027. The stock option grants were previously approved by the Company's Board of Directors on January 26, 2021 and are consistent with the letter agreements dated January 26, 2021, between the Company and Messrs. Flesias, Oliva and Pope.

Share Exchange Agreement to Acquire 50.1% of 12858461 Canada Corp.

On March 1, 2022, the Company and NHL completed a Share Exchange Agreement (the "1285 SEA") with 12858461 Canada Corp. ("1285"), a Canada federal corporation in the business of providing clinic-based physiotherapy and related ancillary services and products, and Prashant A. Jani, a Canadian citizen and sole shareholder of 1285 (the "1285 Shareholder") to acquire 50.1% ownership of 1285 for a purchase price of \$68,000 (the "1285 Purchase Price") paid with the issuance, by NHL to the 1285 Shareholder, of certain non-voting NHL Exchangeable Special Shares which can only be utilized for the purpose of exchange into an allotment of 17,000 restricted shares of the Company's common stock (the "Parent 1285 SEA Shares") at the determination of the 1285 Shareholder. The number of Parent 1285 SEA Shares was calculated by dividing the 1285 Purchase Price by \$4.00 per share.

Asset Purchase Agreement with Poling Taddeo Hovius Physiotherapy Professional Corp., operating as Fairway Physiotherapy and Sports Injury Clinic

On March 1, 2022, the Company and NHL completed an Asset Purchase Agreement (the "PTHPC APA") with Poling Taddeo Hovius Physiotherapy Professional Corp. ("PTHPC"), operating a clinic-based physiotherapy, rehabilitative, and related ancillary services and products business known as Fairway Physiotherapy and Sports Injury Clinic ("FAIR"), and Jason Taddeo, a Canadian citizen and the sole shareholder of PTHPC (the "PTHPC Shareholder"). Under the terms and conditions of the PTHPC APA, PTHPC agreed to sell, assign and transfer to NHL, free and clear of all encumbrances, other than permitted encumbrances, and NHL agreed to purchase from PTHPC all of PTHPC's right, title and interest in and to all of its assets related to FAIR and the FAIR Business, with the exception of certain limited exclusions, and the rights, privileges, claims and properties of any kind whatsoever that are related thereto, whether owned or leased, real or personal, tangible or intangible, of every kind and description and wheresoever situated. Under the terms and conditions of the PTHPC APA, the purchase price is \$627,000 (the "FAIR Purchase Price") paid with the issuance, by NHL to the PTHPC Shareholder, of certain non-voting NHL Exchangeable Special Shares which can only be utilized for the purpose of exchange into an allotment of 156,750 restricted shares of the Company's common stock (the "Parent PTHPC APA Shares") at the determination of the PTHPC Shareholder. The number of Parent PTHPC APA Shares was calculated by dividing the FAIR Purchase Price by \$4.00 per share.

Clinical Consultants International LLC Acquisition

On March 17, 2022, the Company entered into a Membership Interest Purchase Agreement (the “CCI Agreement”) by and among the Company, Clinical Consultants International LLC (“CCI”), each of the members of CCI (the “Members”), and Dr. Joseph Chalil as the representative of the Members.

Pursuant to the terms of the CCI Agreement, among other things, the CCI Members will sell and assign to the Company all of their membership interests of CCI, in exchange for a total of 800,000 restricted shares of the Company’s common stock (the “Exchange Shares”) (“CCI Acquisition”). The Exchange Shares will be apportioned among the Members pro rata based on their respective membership interest ownership percentage of CCI. Following the closing of the CCI Acquisition (the “Closing”), the Company will own 100% of the issued and outstanding membership interests of CCI, and the CCI Members or their designees will collectively own 800,000 restricted shares of the Company’s common stock. The restricted shares were issued on April 7, 2022.

Pursuant to the terms of the CCI Agreement, the Company agreed to (i) name, at the Closing, Dr. Chalil as the Chief Medical Officer of the Company and the President of Novomerica Healthcare Group, Inc., which is a wholly owned subsidiary of the Company, (ii) enter into an employment agreement with Dr. Chalil, and (iii) name Dr. Chalil to the Company’s Board of Directors.

On April 5, 2022, the CCI Acquisition closed. As a result, immediately after the Closing on April 5, 2022, the Company owned 100% of the issued and outstanding membership interests of CCI. On April 7, 2022, the Company issued an aggregate of 800,000 restricted shares of the Company’s common stock to the Members in connection with the CCI Acquisition and pursuant to the terms of the CCI Agreement.

Appointment of Dr. Chalil as the Company’s Chief Medical Officer and President of Novomerica Healthcare Group, Inc.

On April 5, 2022, in connection with the closing of the CCI Acquisition and pursuant to the terms of the CCI Agreement, the Company named Dr. Chalil as the Company’s Chief Medical Officer, and the President of Novomerica Healthcare Group, Inc., a wholly owned subsidiary of the Company formed for expansion of certain medically related business in the U.S. (“NHG”). Pursuant to the terms of the CCI Agreement, the Company expects to appoint Dr. Chalil as a member of the Company’s Board of Directors in the near future.

Chalil Employment Agreement

In connection with Dr. Chalil’s appointment as the Company’s Chief Medical Officer and NHG’s President, the Company entered into an executive agreement (the “Chalil Agreement”) with Dr. Chalil on April 5, 2022. Pursuant to the terms of the Chalil Agreement, the Company agreed to pay Dr. Chalil an annual base salary of \$400,000. In addition, the Company agreed to pay Dr. Chalil an amount equal to 10% of the net income of CCI in excess of \$450,000 for each calendar year during the term of the Chalil Agreement (the “Revenue Share Payment”).

Dr. Chalil will also receive bonuses based on increases in the Company’s market cap valuation (“MCV”) from the date of the Chalil Agreement, with the following milestone bonus parameters:

- (a) For each and every \$50 million Company MCV increase sustained for a period of not less than 30 days (the “50M Bonus Event”), Dr. Chalil will receive \$250,000, or 0.5% of \$50 million, in Company common stock. For the sake of clarity, Dr. Chalil will only be issued compensation based on \$50 million MCV increments; there will be no compensation issued for anything above \$50 million until the subsequent \$50 million MCV milestone is achieved. This bonus will be capped at a Company MCV of \$1 billion. The 50M Bonus Event stock will be issued as (i) 50% restricted shares within 30 days of the respective 50M Bonus Event or at a later date as requested by Dr. Chalil, and held as an allocation to Dr. Chalil, until the requisition date as provided in writing, by Dr. Chalil, to the Company, and (ii) 50% registered shares from the Company’s current active incentive plan within 30 days of the respective 50M Bonus Event.
- (b) Upon the Company sustaining a MCV of \$2 billion for no less than 30 days (the “2B Bonus Event”), Dr. Chalil will receive \$20 million, or 1% of \$1 billion, in restricted shares of Company common stock. The 2B Bonus Event stock will be issued within 30 days of the 2B Bonus Event or at a later date as requested by Dr. Chalil, and held as an allocation to Dr. Chalil, until Dr. Chalil provides the Company with written instructions requesting the specific stock issuance date.
- (c) For each additional \$1 billion MCV, beyond the 2B Bonus Event and commencing when the Company MCV reaches \$3 billion sustained for no less than 30 days, Dr. Chalil will receive \$10 million, or 1% of \$1 billion, in restricted shares of the Company’s common stock. Dr. Chalil may choose to have this stock issued within 30 days of each additional \$1 billion MCV event or at a later date as requested by Dr. Chalil, and held as an allocation to Dr. Chalil, until Dr. Chalil provides the Company with written instructions requesting the specific stock issuance date.

The Company may also issue to Dr. Chalil equity awards as determined by the Board of Directors.

The term of the Chalil Agreement ends on the earlier of (i) April 5, 2025, and (ii) the time of the termination of Dr. Chalil's employment pursuant to the terms of the Chalil Agreement. The term of the Chalil Agreement will be automatically extended for one or more additional terms of one year each unless either party provided notice to the other party of their desire to not renew at least 30 days prior to expiration of the then-current term.

The Company may terminate the Chalil Agreement at any time for Cause (as defined in the Chalil Agreement) or without Cause, and Dr. Chalil may terminate the Chalil Agreement at any time with or without Good Reason (as defined in the Chalil Agreement). If the Company terminates the Chalil Agreement without Cause or Dr. Chalil terminates the Chalil Agreement with Good Reason, (i) the Company will pay to Dr. Chalil any base salary, bonuses, and benefits then owed or accrued, and any unreimbursed expenses incurred by Dr. Chalil in each case through the termination date; (ii) the Company will pay to Dr. Chalil, in one lump sum, an amount equal to the greater of (1) the base salary that would have been paid to Dr. Chalil for the remainder of the then-current term, and (2) the total base salary that would have been paid to Dr. Chalil for a one year period based on the base salary as of the date of termination, and the Revenue Share Payment for the calendar year in which such termination occurs; and (iii) any equity grant already made to Dr. Chalil will, to the extent not already vested, be deemed automatically vested.

Shelf Registration Statement

On April 28, 2022, the SEC declared effective the Company's shelf registration statement on Form S-3 (File No. 333-264360) (the "Form S-3") originally filed on April 18, 2022. The Form S-3 is a shelf registration statement relating to the sale of 223,880 shares of our common stock issuable to Jefferson Street Capital and Platinum Point Capital, under the terms and conditions of both the Jefferson SPA and the Platinum SPA, upon exercise of certain warrants, currently held by the respective selling stockholders, with an exercise price of \$3.35 which expire on November 17, 2024.

Promissory Note Amortization Payment

On June 14, 2022, the Company made a cash payment in the aggregate amount of \$1,391,589 for the monthly Amortization Payment pursuant to the terms and conditions of the \$16.66mt convertible notes.

Dalcourt and Gaynor Board of Directors Compensation

On June 29, 2022, the Board granted Pierre Dalcourt and Michael Gaynor 250,000 and 50,000 shares of common stock, respectively, pursuant to the 2021 Plan as consideration for over 5-years of service to the Board without having received compensation.

Board of Directors Changes

Effective June 30, 2022, Robert Oliva, Michael Gaynor and Pierre Dalcourt resigned as members of the Board of Directors. Also, effective June 30, 2022, (i) Sarfaraz Ali was appointed as an independent member of the Board of Directors; (ii) the size of the Board of Directors was reduced from seven to five members. As a result, effective June 30, 2022, following the aforementioned Board changes, a majority of the Company's Board of Directors is independent. As compensation for Mr. Ali's services as a director, on August 9, 2022, the Company granted, pursuant to the Company's 2021 Equity Incentive Plan, a stock option to purchase 39,480 shares of common stock at an exercise price of \$1.90. Mr. Ali's stock options vests, and becomes exercisable, (i) with respect to 6,580 shares on the date of grant, and (ii) with respect to 3,290 shares monthly, beginning on September 9, 2022 until July 9, 2023. Each stock option expires on August 9, 2027. The stock option grants were previously approved by the Company's Board of Directors on June 30, 2022, and are consistent with the letter agreement, dated June 27, 2022, between the Company and Mr. Ali.

Promissory Note Payment

On June 30, 2022, the Company paid the balance owed on an Aenzia promissory note for an aggregate payment of \$5,300,000, including all principal and interest owed.

Promissory Note Amortization Payment

On July 14, 2022, the Company made a cash payment in the aggregate amount of \$1,474,496 for the monthly Amortization Payment pursuant to the terms and conditions of the \$16.66mt convertible notes.

Promissory Note Amortization Payment

On August 14, 2022, the Company made a cash payment in the aggregate amount of \$1,441,470 for the monthly Amortization Payment pursuant to the terms and conditions of the \$16.66mt convertible notes.

Registration Statement on Form S-1

On September 13, 2022, the Company filed a registration statement on Form S-1 (File No. 333-267401) (as amended, the “Registration Statement”). The Registration Statement relates to the Company’s proposed offer of up to 19,138,756 units (“Units”), with each Unit consisting of (i) one share of common stock, (ii) one warrant with a three-year term to purchase one share of common stock at an exercise price of \$1.045 per share (100% of the offering price per Unit) (“Three-Year Warrant”), and (iii) one warrant with a five-year term to purchase one share of common stock at an exercise price of \$1.045 per share (100% of the offering price per Unit) (“Five-Year Warrant”) on a best-efforts basis. The assumed public offering price is \$1.045 per Unit. Each Three-Year Warrant and Five-Year Warrant will be immediately exercisable for one share of common stock at an assumed exercise price of \$1.045 per share (not less than 100% of the public offering price of each Unit sold in the offering). The actual public offering price per Unit will be determined between the Company, Maxim Group LLC and the investors in the offering, and may be at a discount to the current market price of the Company’s common stock.

As indicated in the Registration Statement, the Company also proposes to offer to each purchaser of Units that would otherwise result in the purchaser’s beneficial ownership exceeding 4.99% of the Company’s outstanding common stock immediately following the consummation of the offering, the opportunity to purchase Units consisting of one pre-funded warrant to purchase one share of common stock (“Pre-Funded Warrant”) (in lieu of one share of common stock), one Three-Year Warrant and one Five-Year Warrant. Subject to limited exceptions, a holder of Pre-Funded Warrants will not have the right to exercise any portion of its Pre-Funded Warrants if the holder, together with its affiliates, would beneficially own in excess of 4.99% (or, at the election of the holder, such limit may be increased to up to 9.99%) of the number of shares of common stock outstanding immediately after giving effect to such exercise. Each Pre-Funded Warrant will be exercisable for one share of common stock. The purchase price of each Unit including a Pre-Funded Warrant will be equal to the price per Unit including one share of common stock, minus \$0.01, and the remaining exercise price of each Pre-Funded Warrant will equal \$0.01 per share. The Pre-Funded Warrants will be immediately exercisable (subject to the beneficial ownership cap) and may be exercised at any time until all of the Pre-Funded Warrants are exercised in full. For each Unit including a Pre-Funded Warrant sold (without regard to any limitation on exercise set forth therein), the number of Units including a share of common stock offered will be decreased on a one-for-one basis. The common stock and Pre-Funded Warrants, if any, can each be purchased in the offering only with the accompanying Three-Year Warrant and Five-Year Warrant as part of a Unit, but the components of the Units will immediately separate upon issuance. The Company also proposes to register the common stock issuable from time to time upon exercise of the Pre-Funded Warrants, Three-Year Warrants and Five-Year Warrants included in the Units.

There is no minimum number of Units or minimum aggregate amount of proceeds for the offering to close.

The Company expects to commence the sale of the securities as of the date on which the Registration Statement is declared effective by the SEC. No sales will be made prior to effectiveness of the Registration Statement. There can be no assurance that the Registration Statement will be declared effective by the SEC.

Promissory Note Amortization Payment

On September 14, 2022, the Company made a cash payment in the aggregate amount of \$1,435,683 for the monthly Amortization Payment pursuant to the terms and conditions of the \$16.66mt convertible notes.

CVI Investments, Inc. Waiver and Amendment

On October 13, 2022, the Company entered into a Waiver and Amendment (the “CVI Waiver and Amendment”) with CVI Investments, Inc. (“CVI”). Pursuant to the terms of the CVI Waiver and Amendment, (i) the Company obtained a limited waiver from CVI with respect to certain provisions of a Warrant to Purchase Common Stock, dated as of December 14, 2021, issued by the Company to CVI (the “CVI Warrant”); (ii) the Company and CVI amended certain provisions of the CVI Warrant; (iii) the Company obtained a limited waiver from CVI with respect to certain provisions of a Senior Secured Convertible Note, dated as of December 14, 2021, issued by the Company to CVI (the “CVI Note”); and (iv) the Company and CVI amended certain provisions of the CVI Note, all as more fully described below and as set forth in the CVI Warrant and the CVI Note, as applicable.

Pursuant to the terms of the CVI Waiver and Amendment, the Company obtained a limited waiver from CVI with respect to the provisions of the CVI Warrant that would have reduced the exercise price of the CVI Warrant upon the closing of the sale of the Company’s common stock by the Company (the “Offering”) to be conducted as set forth in and pursuant to the prospectus contained in the Registration Statement on Form S-1 (File No. 333-267401) filed by the Company on September 13, 2022, as subsequently amended and as declared effective on October 13, 2022. In addition, the Company and CVI agreed to amend the CVI Warrant to provide that the exercise price of the CVI Warrant shall be the price at which the Company’s common stock is offered for sale in the Offering.

Also pursuant to the terms of the CVI Waiver and Amendment, the Company obtained a limited waiver from CVI with respect to the provisions of the CVI Note that would have reduced the conversion price of the CVI Note upon the closing of the Offering. CVI also agreed to extend the date on which the Amortization Redemption Amount (as defined in the CVI Note) may be paid from October 14, 2022 to October 19, 2022. In addition, the Company and CVI agreed to amend the CVI Note to provide that the conversion price set forth in the CVI Note shall be the price at which the Company’s common stock is being offered for sale in the Offering.

Hudson Bay Master Fund Ltd. Waiver and Amendment

Also on October 13, 2022, the Company entered into a Waiver and Amendment (the “Hudson Bay Waiver and Amendment”) with Hudson Bay Master Fund Ltd. (“Hudson Bay”). Pursuant to the terms of the Hudson Bay Waiver and Amendment, (i) the Company obtained a limited waiver from Hudson Bay with respect to certain provisions of a Warrant to Purchase Common Stock, dated as of December 14, 2021, issued by the Company to Hudson Bay (the “Hudson Bay Warrant”); (ii) the Company and Hudson Bay amended certain provisions of the Hudson Bay Warrant; (iii) the Company obtained a limited waiver from Hudson Bay with respect to certain provisions of a Senior Secured Convertible Note, dated as of December 14, 2021, issued by the Company to Hudson Bay (the “Hudson Bay Note”); and (iv) the Company and Hudson Bay amended certain provisions of the Hudson Bay Note, all as more fully described below and as set forth in the Hudson Bay Warrant and the Hudson Bay Note, as applicable.

Pursuant to the terms of the Hudson Bay Waiver and Amendment, the Company obtained a limited waiver from Hudson Bay with respect to the provisions of the Hudson Bay Warrant that would have reduced the exercise price of the Hudson Bay Warrant upon the closing of the Offering. In addition, the Company and Hudson Bay agreed to amend the Hudson Bay Warrant to provide that the exercise price of the Hudson Bay Warrant shall be the price at which the Company’s common stock is offered for sale in the Offering.

Also pursuant to the terms of the Hudson Bay Waiver and Amendment, the Company obtained a limited waiver from Hudson Bay with respect to the provisions of the Hudson Bay Note that would have reduced the conversion price of the Hudson Bay Note upon the closing of the Offering. Hudson Bay also agreed to extend the date on which the Amortization Redemption Amount (as defined in the Hudson Bay Note) may be paid from October 14, 2022 to October 19, 2022. In addition, the Company and Hudson Bay agreed to amend the Hudson Bay Note to provide that the conversion price set forth in the Hudson Bay Note shall be the price at which the Company’s common stock is being offered for sale in the Offering.

Unit Offering

On October 18, 2022 (the “Closing Date”), the Company sold an aggregate of 4,000,000 units (the “Units”) for an aggregate of \$2,000,000, at a purchase price \$0.50 per Unit (the “Offering”), consisting of (i) 4,000,000 shares (the “Shares”) of the Company’s common stock, (ii) warrants with a three-year term to purchase 4,000,000 shares of common stock at an exercise price of \$0.50 per share (the “Three Year Warrants”), and (iii) warrants with a five-year term to purchase 4,000,000 shares of common stock at an exercise price of \$0.50 per share (the “Five Year Warrants” and together with the Three Year Warrants, the “Warrants”).

On October 13, 2022, the Company entered into a Placement Agency Agreement (the “Placement Agency Agreement”) with Maxim Group LLC, as exclusive placement agent thereunder (the “Placement Agent”), pursuant to which the Placement Agent agreed to act as the Company’s exclusive placement agent to solicit offers to purchase the Units, and the Common Stock and Warrants forming part of the Units, offered by the prospectus (“Prospectus”) contained in the Registration Statement on Form S-1 (File No. 333-267401) declared effective by the Securities and Exchange Commission on October 13, 2022 (the “Registration Statement”). The Placement Agent did not purchase or sell any securities, nor was it required to arrange for the purchase and sale of any specific number or dollar amount of securities, other than to use its “reasonable best efforts” to arrange for the sale of the securities by the Company. Accordingly, there was no minimum amount of proceeds that was a condition to closing of the Offering.

The Offering resulted in gross proceeds to the Company of approximately \$2,000,000 before deducting the Placement Agent fees and related offering expenses, and excluding proceeds to the Company, if any, that may result from the future exercise of Warrants issued in the Offering which formed part of the Units. Pursuant to the terms of the Placement Agency Agreement, the Company paid the Placement Agent a cash fee of \$140,000 equal to 7.0% of the gross proceeds of the Offering as well as reimbursed the Placement Agent for its accountable expenses, resulting in net proceeds to the Company of \$1,795,000.

Under the Placement Agency Agreement, the Company agreed to certain restrictions on future stock offerings, including that during the 90-day period following the Closing Date, the Company will not issue (or enter into any agreement to issue) any shares of common stock or common stock equivalents, subject to certain exceptions, and will not file any registration statements. In addition, during the 180-day period following the Closing Date and subject to certain exceptions, the Company is prohibited from entering into (i) a transaction that would result in the Company issuing common stock that has a variable conversion price, exercise price, or exchange rate, or such a price that would reset upon the occurrence of specified or contingent events; or (ii) a transaction in which the Company agrees to issue securities at a future determined price. Each of the Company’s officers, directors, and any holder of 10% or more of the outstanding common stock has agreed to a three-month “lock-up” with respect to their shares of common stock, including securities that are convertible into, or exchangeable or exercisable for, shares of common stock. Subject to certain exceptions, during such lock-up period these holders may not offer, sell, pledge or otherwise dispose of these securities, without the prior written consent of the Placement Agent. The Placement Agency Agreement provides that the Placement Agent’s obligations were subject to conditions contained in the Placement Agency Agreement.

Each Warrant had an exercise price of \$0.50 per share and is exercisable upon issuance. As a result of the Company’s entry, on November 14, 2022, into the CVI Exchange Offer and Amendment (as hereinafter defined) and the Hudson Bay Exchange Offer and Amendment (as hereinafter defined), the exercise price of each Warrant was reduced to \$0.10 per share. The Three Year Warrants and the Five Year Warrants will expire three years and five years from the date of issuance, respectively.

Each Warrant is exercisable for one share of common stock, subject to adjustment in the event of stock dividends, stock splits, stock combinations, reclassifications, reorganizations or similar events affecting the common stock as described in the Prospectus. Subject to certain exemptions outlined in the Three Year Warrants and Five Year Warrants, if the Company sells, enters into an agreement to sell, or grants any option to purchase, or sell, enters into an agreement to sell, or grants any right to reprice, or otherwise disposes of or issues (or announces any offer, sale, grant or any option to purchase or other disposition) any shares of common stock or Common Stock Equivalents (as defined in the Three Year Warrants and Five Year Warrants), at an effective price per share less than the exercise price of the Three Year Warrants or Five Year Warrants then in effect, the exercise price of the Three Year Warrants and Five Year Warrants will be reduced to equal the effective price per share in such dilutive issuance; provided, however, in no event will the exercise price of the Three Year Warrants and Five Year Warrants be reduced to an exercise price lower than \$0.10. Additionally, on the date that is 60 calendar days immediately following the initial issuance date of the Three Year Warrants and Five Year Warrants, the exercise price will be reduced to the Reset Price (as hereinafter defined), provided that the Reset Price is less than the exercise price in effect on that date. The “Reset Price” is equal to the greater of (a) 50% of the initial exercise price or (b) 100% of the lowest daily volume weighted average price per share of common stock (“VWAP”) occurring during the 60 calendar days following the issuance date of the Three Year Warrants and Five Year Warrants.

On October 13, 2022, the (i) conversion price of the Senior Secured Convertible Notes, and the (ii) exercise price per share of common stock under the warrants to purchase common stock, issued by the Company and held by CVI Investments, Inc. and Hudson Bay Master Fund Ltd. (the "Holders") was reduced to \$0.50 per share of common stock based on the offering price of each Unit in the Offering and in accordance with waivers by the Holders, as further described in the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on October 14, 2022.

The terms of the Three Year Warrants and Five Year Warrants are governed by a Warrant Agency Agreement (the "Warrant Agency Agreement"), dated as of the Closing Date, by and between the Company and Pacific Stock Transfer Company (the "Warrant Agent"). Pursuant to the terms of the Warrant Agency Agreement, the Company agreed to indemnify the Warrant Agent in its roles as transfer agent and warrant agent, its agents and each of its stockholders, directors, officers and employees against all liabilities, including judgments, costs and reasonable counsel fees that may arise out of acts performed or omitted for its activities in that capacity, except for any liability due to any gross negligence, willful misconduct or bad faith of the indemnified person or entity.

Promissory Note Amortization Payment

On October 19, 2022, the Company made a cash payment in the aggregate amount of \$1,429,896 for the monthly Amortization Payment pursuant to the terms and conditions of the \$16.66mt convertible notes.

Restricted Stock Issuance

On October 26, 2022, the Company issued 36,222 restricted shares of common stock for NHL Exchangeable Shares under the terms and conditions of a Share Exchange Agreement which closed on June 24, 2021.

CVI Investments, Inc. Exchange Offer and Amendment

On November 14, 2022, the Company entered into an exchange offer and amendment (the "CVI Exchange Offer and Amendment") with CVI. Pursuant to the terms of the CVI Exchange Offer and Amendment, (i) the Company exchanged one share of the Company's common stock, for each share of common stock (the "CVI Warrant Exchange") underlying the warrant to purchase common stock, dated as of December 14, 2021, issued by the Company to CVI (the "CVI Warrant"); and (ii) the Company and CVI amended certain provisions of the senior secured convertible note, dated as of December 14, 2021, issued by the Company to CVI (the "CVI Note"), all as more fully described below and as set forth in the CVI Warrant and the CVI Note, as applicable. On November 15, 2022 and January 5, 2023, 1,757,319 and 1,159,348 shares of common stock were issued under the terms and conditions of the CVI Warrant Exchange.

Pursuant to the terms of the CVI Exchange Offer and Amendment, the Company and CVI agreed to amend the CVI Note such that (i) the Company shall pay the interest originally payable in November 2022 and December 2022 upon execution of the CVI Exchange Offer and Amendment, (ii) the Company shall pay a \$50,000 extension fee to CVI (\$10,000 on January 15, 2023, \$10,000 on February 14, 2023, \$10,000 on March 14, 2023, \$10,000 on April 14, 2023, and \$10,000 on May 15, 2023), (iii) the payment dates for the principal originally payable in November 2022 and December 2022 shall be extended such that 1/5 of such respective principal amount shall instead be paid on each Amortization Date (as defined in the CVI Note) during January 2023, February 2023, March 2023, April 2023, and May 2023, in addition to the Amortization Redemption Amounts (as defined in the CVI Note) (the "Amortization Redemption Amounts") due on the aforementioned dates in 2023.

Also, pursuant to the terms of the CVI Exchange Offer and Amendment, the Company agreed to hold an annual or special meeting of stockholders on or prior to the date that is 90 calendar days after November 14, 2022, for the purpose of obtaining shareholder approval ("Shareholder Approval") to amend the CVI Note as follows:

(i) the definition of Conversion Price (as defined in the CVI Note) (the "Conversion Price") shall be amended such that, as to the first \$1,000,000 of principal amount of the CVI Note converted after the date that the Shareholder Approval is obtained, the Conversion Price shall be the lower of (i) the Conversion Price in effect at such time and (ii) 82.0% of the lowest VWAP (as defined in the CVI Note) during the five trading days immediately prior to the applicable conversion date (the "Adjusted Conversion Price"), provided, however, that the portion of the first \$1,000,000 of principal amount of the CVI Note that is converted pursuant to a voluntary conversion by CVI shall reduce each of the remaining Amortization Redemption Amounts proportionately on a pro rata basis;

(ii) CVI may accelerate up to four Amortization Redemption Amounts (as defined in the Notes) provided that CVI agrees to accept shares of Common Stock instead of cash for such payments at a price per share equal to the Adjusted Conversion Price as calculated on the immediately preceding Amortization Date (as defined in the CVI Note)); and

(iii) upon mutual consent by the Company and CVI, CVI may elect to utilize the Adjusted Conversion Price for the balance of the Notes.

The CVI Exchange Offer and Amendment further provides that from November 14, 2022 until 30 days following November 14, 2022, neither the Company nor any of its subsidiaries shall (i) issue, enter into any agreement to issue or announce the issuance or proposed issuance of any Common Stock or any securities convertible or exchangeable into Common Stock, or (ii) enter into any agreement to amend, exchange or otherwise provide any incentive to exercise any of the warrants originally issued together with the Exchange Warrants or any other warrants of the Company that are outstanding on November 14, 2022, in each such case except with respect to certain exempt issuances.

Hudson Bay Master Fund Ltd. Exchange Offer and Amendment

Also, on November 14, 2022, the Company entered into an exchange offer and amendment (the "Hudson Bay Exchange Offer and Amendment") with Hudson Bay. Pursuant to the terms of the Hudson Bay Exchange Offer and Amendment, (i) the Company exchanged one share of the Company's common stock, for each share of common stock (the "Hudson Bay Warrant Exchange") underlying the warrant to purchase common stock, dated as of December 14, 2021, issued by the Company to Hudson Bay (the "Hudson Bay Warrant"); and (ii) the Company and Hudson Bay amended certain provisions of the senior secured convertible note, dated as of December 14, 2021, issued by the Company to Hudson Bay (the "Hudson Bay Note"), all as more fully described below and as set forth in the Hudson Bay Warrant and the Hudson Bay Note, as applicable. On November 15, 2022, 2,916,667 shares of common stock were issued under the terms and conditions of the Hudson Bay Warrant Exchange.

Pursuant to the terms of the Hudson Bay Exchange Offer and Amendment, the Company and Hudson Bay agreed to amend the Hudson Bay Note such that (i) the Company shall pay the interest originally payable in November 2022 and December 2022 upon execution of the Hudson Bay Exchange Offer and Amendment, (ii) the Company shall pay a \$50,000 extension fee to Hudson Bay (\$10,000 on January 15, 2023, \$10,000 on February 14, 2023, \$10,000 on March 14, 2023, \$10,000 on April 14, 2023, and \$10,000 on May 15, 2023), (iii) the payment dates for the principal originally payable in November 2022 and December 2022 shall be extended such that 1/5 of such respective principal amount shall instead be paid on each Amortization Date (as defined in the Hudson Bay Note) during January 2023, February 2023, March 2023, April 2023, and May 2023, in addition to the Amortization Redemption Amounts (as defined in the Hudson Bay Note) (the "Amortization Redemption Amounts") due on the aforementioned dates in 2023.

Also, pursuant to the terms of the Hudson Bay Exchange Offer and Amendment, the Company agreed to hold an annual or special meeting of stockholders on or prior to the date that is 90 calendar days after November 14, 2022, for the purpose of obtaining shareholder approval ("Shareholder Approval") to amend the Hudson Bay Note as follows:

(i) the definition of Conversion Price (as defined in the Hudson Bay Note) (the "Conversion Price") shall be amended such that, as to the first \$1,000,000 of principal amount of the Hudson Bay Note converted after the date that the Shareholder Approval is obtained, the Conversion Price shall be the lower of (i) the Conversion Price in effect at such time and (ii) 82.0% of the lowest VWAP (as defined in the Hudson Bay Note) during the five trading days immediately prior to the applicable conversion date (the "Adjusted Conversion Price"), provided, however, that the portion of the first \$1,000,000 of principal amount of the Hudson Bay Note that is converted pursuant to a voluntary conversion by Hudson Bay shall reduce each of the remaining Amortization Redemption Amounts proportionately on a pro rata basis;

(ii) Hudson Bay may accelerate up to four Amortization Redemption Amounts (as defined in the Notes) provided that Hudson Bay agrees to accept shares of Common Stock instead of cash for such payments at a price per share equal to the Adjusted Conversion Price as calculated on the immediately preceding Amortization Date (as defined in the Hudson Bay Note); and

(iii) upon mutual consent by the Company and Hudson Bay, Hudson Bay may elect to utilize the Adjusted Conversion Price for the balance of the Notes.

The Hudson Bay Exchange Offer and Amendment further provides that from November 14, 2022 until 30 days following November 14, 2022, neither the Company nor any of its subsidiaries shall (i) issue, enter into any agreement to issue or announce the issuance or proposed issuance of any Common Stock or any securities convertible or exchangeable into Common Stock, or (ii) enter into any agreement to amend, exchange or otherwise provide any incentive to exercise any of the warrants originally issued together with the Exchange Warrants or any other warrants of the Company that are outstanding on November 14, 2022, in each such case except with respect to certain exempt issuances.

Promissory Note Amortization and Extension Fee Payments

On November 14, 2022, as provided in the CVI Exchange Offer and Amendment, the Company made a cash payment, in the amount of \$37,384, for the monthly interest owed on the CVI Note outstanding principal balance. On November 14, 2022, as provided in the Hudson Bay Exchange Offer and Amendment, the Company made a cash payment, in the amount of \$33,056, for the monthly interest owed on the Hudson Bay Note outstanding principal balance.

On January 17, 2023, March 2, 2023, and March 14, 2023, the Company made an interest payment on the Hudson Bay Note, to Hudson Bay, in the amount of \$8,333, \$625, and \$208, respectively. On January 17, 2023, March 2, 2023, and March 14, 2023, pursuant to the terms of the Hudson Bay Exchange Offer and Amendment, the Company paid, to Hudson Bay, extension fees in the amount of \$10,000, \$10,000, and \$10,000, respectively. On March 24, 2023, the Company paid to Hudson Bay an aggregate of \$70,069, representing the remaining principal balance on the Hudson Bay Note (\$50,000), interest on the Hudson Bay Note (\$69), and extension fees (\$20,000). As of March 24, 2023, the Hudson Bay Note was paid in full and no amounts remain due and outstanding in respect of the Hudson Bay Note.

On March 14, 2023, the Company made a principal payment on the CVI Note, to CVI, in the amount of \$6,111 and an interest payment on the CVI Note, to CVI, in the amount of \$77. Also on March 14, 2023, pursuant to the terms of the CVI Exchange Offer and Amendment, the Company paid, to CVI, an extension fee in the amount of \$30,000. On March 24, 2023, the Company paid to CVI an extension fee in the amount of \$20,000. As of March 24, 2023, the CVI Note was paid in full and no amounts remain due and outstanding in respect of the CVI Note.

Share Issuances in Connection with Warrant Exercises

Subsequent to the fiscal year ended August 31, 2022, the Company issued an aggregate of 3,910,000 shares of common stock to certain warrant holders upon exercise of their warrants related to the Company's Registration Statement on Form S-1 (File No. 333-267401) declared effective by the Securities and Exchange Commission on October 13, 2022.

Share Issuances in Connection with Note Conversions

Subsequent to the fiscal year ended August 31, 2022, the Company issued an aggregate of 94,185,340 shares of common stock to certain note holders upon conversion of their notes. As of March 31, 2023, (i) the principal balance owed by the Company to Hudson Bay pursuant to the senior secured convertible note, dated as of December 14, 2021, as amended, issued by the Company to Hudson Bay is \$0, (ii) the principal balance owed by the Company to CVI pursuant to the senior secured convertible note, dated as of December 14, 2021, as amended, issued by the Company to CVI is \$0; and (iii) the principal balance owed by the Company to Jefferson pursuant to the secured convertible note, dated as of November 17, 2021, as amended, issued by the Company to Jefferson is \$0.

Share Issuance in Exchange for Certain NHL Non-Voting Special Shares

Subsequent to the fiscal year ended August 31, 2022, the Company issued 3,202,019 shares of common stock in exchange for certain non-voting special shares of NHL, previously issued in connection with NHL's acquisition of Acenzia that closed on June 24, 2021.

Nasdaq Notification—Minimum Bid Price Requirement

On November 21, 2022, the Company received a notification letter (the "November Notification Letter") from The Nasdaq Stock Market, LLC ("Nasdaq") that it is not in compliance with the minimum bid price requirements set forth in Nasdaq Listing Rule 5550(a)(2) for continued listing on The Nasdaq Capital Market. Nasdaq Listing Rule 5550(a)(2) requires listed securities to maintain a minimum bid price of \$1.00 per share, and Nasdaq Listing Rule 5810(c)(3)(A) provides that a failure to meet the minimum bid price requirement exists if the deficiency continues for a period of 30 consecutive business days. Based on the closing bid price of the Company's common stock between October 10, 2022 and November 11, 2022, the Company no longer meets the minimum bid price requirement. The November Notification Letter has no immediate effect on the listing or trading of the Company's common stock on The Nasdaq Capital Market and, at this time, the common stock will continue to trade on The Nasdaq Capital Market under the symbol "NVOS."

The November Notification Letter provides that the Company has 180 calendar days, or until May 22, 2023, to regain compliance with Nasdaq Listing Rule 5550(a)(2). To regain compliance, the bid price of the Company's common stock must have a closing bid price of at least \$1.00 per share for a minimum of 10 consecutive business days. If the Company does not regain compliance by May 22, 2023, an additional 180 days may be granted to regain compliance, so long as the Company meets The Nasdaq Capital Market continued listing requirements (except for the bid price requirement) and notifies Nasdaq in writing of its intention to cure the deficiency during the second compliance period. If the Company does not qualify for the second compliance period or fails to regain compliance during the second 180-day period, then Nasdaq will notify the Company of its determination to delist the Company's common stock, at which point the Company will have an opportunity to appeal the delisting determination to a hearings panel.

The Company intends to monitor the closing bid price of its common stock and will consider implementing available options to regain compliance with the minimum bid price requirement under the Nasdaq Listing Rules.

Information Statement on Schedule 14C

On January 4, 2023, the Company filed with the SEC a definitive information statement on Schedule 14C (the “14C”). The 14C relates to the notice to stockholders concerning the approval by written consent of stockholders holding a majority of the Company’s issued and outstanding voting securities (the “Majority Stockholders”) of the effectuation of the transactions provided for in each exchange offer and amendment entered into on November 14, 2022 by the Company (the “Exchange Offers and Amendments”) with CVI and Hudson Bay, including but not limited to the following amendments to the senior secured convertible notes, dated as of December 14, 2021, issued by the Company to CVI and Hudson (the “Notes”):

(i) the definition of Conversion Price (as defined in the Notes) (the “Conversion Price”) shall be amended such that, as to the first \$1,000,000 of principal amount of each of the Notes converted after the date that shareholder approval is obtained, the Conversion Price shall be the lower of (i) the Conversion Price in effect at such time and (ii) 82.0% of the lowest VWAP (as defined in Notes) during the five trading days immediately prior to the applicable conversion date (the “Adjusted Conversion Price”), provided, however, that the portion of the first \$1,000,000 of principal amount of each of the Notes that is converted pursuant to a voluntary conversion by the holders of each of the Notes shall reduce each of the remaining Amortization Redemption Amounts proportionately on a pro rata basis;

(ii) Each of the holders of the Notes may accelerate up to four Amortization Redemption Amounts (as defined in the Notes) provided that such holder agrees to accept shares of Common Stock instead of cash for such payments at a price per share equal to the Adjusted Conversion Price as calculated on the immediately preceding Amortization Date (as defined in the Notes)); and

(iii) upon mutual consent by the Company and each of the holders of the Notes, such holder may elect to utilize the Adjusted Conversion Price for the balance of the Notes.

Accordingly, the Majority Stockholders approved, by written consent, the issuance of the total number of shares of Company common stock of the Company necessary to effectuate the Exchange Offers and Amendments, which is currently an indeterminate number due to the methodology of the conversion pricing as described herein and in the Exchange Offers and Amendments.

Stockholder approval of the Exchange Offers and Amendments was required by Rule 5635(d) of The Nasdaq Stock Market, which requires stockholder approval prior to a 20% issuance of securities at a price that is less than the Minimum Price (as defined in the information statement) in a transaction other than a public offering. A 20% issuance is a transaction, other than a public offering, involving the sale, issuance or potential issuance by the company of common stock (or securities convertible into or exercisable for common stock), which alone or together with sales by officers, directors or substantial stockholders of the company, equals 20% or more of the common stock or 20% or more of the voting power outstanding before the issuance.

Such approval and consent by the Majority Stockholders constitute the approval and consent of a majority of the total number of shares of the Company’s outstanding voting stock and is sufficient under the Nevada Revised Statutes, the Company’s Amended and Restated Articles of Incorporation, as amended, and the Company’s Bylaws to approve the Exchange Offers and Amendments. Accordingly, the actions will not be submitted to the other stockholders of the Company for a vote, and the information statement has been furnished to such other stockholders to provide them with certain information concerning the actions in accordance with the requirements of the Exchange Act, and the regulations promulgated under the Exchange Act, including Regulation 14C.

Jefferson Street Letter Agreement

As previously disclosed, on June 1, 2022, the Company and Jefferson agreed to extend the maturity date of the Jefferson Note to November 29, 2022 with a principal amount face value of \$937,500 and interest rate that shall accrue at a rate equal to 1% per annum. On December 2, 2022, the Company made a partial payment of \$199,980 toward principal and interest owed on the Jefferson Note, leaving a balance of \$746,875. On December 13, 2022, the Company, Terra and Jefferson entered into a letter agreement. Pursuant to the terms of the letter agreement, Jefferson agreed to forbear from entering an event of default under the terms of the Jefferson Note and related transaction documents until December 29, 2022. In addition, the parties agreed to release the Collateral Shares to Jefferson. Effective February 16, 2023, the Jefferson Note has been paid in full.

Nasdaq Notification—Delinquent Form 10-K and Form 10-Q Filings

On December 15, 2022, the Company received a notification letter (the “December Notification Letter”) from Nasdaq that it is not in compliance with Nasdaq’s continued listing rules due to its failure to timely file its Annual Report on Form 10-K for the fiscal year ended August 31, 2022 (the “2022 10-K”). On January 25, 2023, the Company received a notification letter (the “January Notification Letter”) from Nasdaq advising the Company that it was not in compliance with Nasdaq’s continued listing requirements as a result of its failure to timely file the 2022 10-K and its Quarterly Report on Form 10-Q for the fiscal quarter ended November 30, 2022 (the “Form 10-Q”). On February 13, 2023, the Company submitted a plan to regain compliance with Nasdaq’s continued listing rules with the respect to the Form 10-K and the Form 10-Q. If Nasdaq accepts the Company’s plan, then Nasdaq may grant an exception of up to 180 calendar days from the due date of the Form 10-K, or until June 12, 2023, to regain compliance.

SwagCheck Agreement

On December 23, 2022, the Company, SwagCheck Inc. ("SWAG"), and all SWAG shareholders (collectively, the "SWAG Shareholders") entered into that certain Share Purchase Agreement (the "SWAG Agreement"). Pursuant to the terms of the SWAG Agreement, the Company agreed to purchase, and the SWAG Shareholders agreed to sell to the Company, 100% of the outstanding shares of SWAG in exchange for \$1.00 (the "SWAG Purchase"). SWAG holds a specific right of purchase of a precious gem collection (the "Gems") as provided for in an agreement between SWAG and a Court-appointed Successor Receiver for the United States District Court for the Central District of California (the "Receiver").

The parties have made customary representations, warranties and covenants in the SWAG Agreement. In addition to certain customary closing conditions, the obligations of SWAG and the SWAG Shareholders to consummate the closing of the SWAG Purchase are subject to the satisfaction (or waiver by any of SWAG or the SWAG Shareholders), at or before the closing date, of certain conditions, including that (i) the Company will have received a financing commitment of at least \$90 million by December 27, 2022, with a closing date no later than December 30, 2022, (ii) \$60 million will be distributed directly to a Receiver for the purchase of the Gems by SWAG, and (iii) \$30 million is a Mark-up to be distributed for the benefit of the outgoing SWAG Shareholders.

In addition to certain customary closing conditions in the SWAG Agreement, the obligations of SWAG and the SWAG Shareholders to consummate the closing of the SWAG Purchase were subject to the satisfaction (or waiver by any of SWAG or the SWAG Shareholders), at or before the closing date, of certain conditions, including that (i) the Company will have provided SWAG with a binding letter of intent (a "LOI") by a competent financing party for financing in the amount of at least \$90 million by December 27, 2022 with a closing date no later than December 30, 2022, (ii) \$60 million will be distributed directly to the Receiver for the purchase of the Gems by SWAG, and (iii) \$30 million is a mark-up to be distributed for the benefit of the outgoing SWAG Shareholders.

On December 30, 2022, the Company, SWAG and the SWAG Shareholders entered into Amendment No. 1 to the SWAG Agreement (the "SWAG Amendment"). Pursuant to the terms of the SWAG Amendment, the parties agreed as follows:

- The closing of the SWAG Purchase will occur no later than January 10, 2023, with all contemplated extensions being subject to the Receiver's stipulations, conditions, and limitations.
- The condition for the Company to provide SWAG with a binding LOI has been deleted.
- A total of \$92 million will be distributed as follows: (i) \$60 million will be distributed to the Receiver for the purchase of the Gems by SWAG, and (ii) a \$32 million mark-up will be distributed directly for the benefit of the outgoing SWAG Shareholders.

Although the SWAG Agreement has not yet closed, the parties continue to work together with the intention of closing the transaction. Following the closing of SWAG Purchase, SWAG will be a wholly owned subsidiary of the Company and will own title to the Gems, which the Company intends to either collateralize or sell to raise capital.

Mast Hill Securities Purchase Agreement & Note

On February 23, 2023, the Company entered into a securities purchase agreement (the "Mast Hill SPA") with Mast Hill Fund, L.P. ("Mast Hill"), pursuant to which the Company issued an 12% unsecured promissory note (the "Mast Hill Note") with a maturity date of February 23, 2024 (the "Mast Hill Maturity Date"), in the principal sum of \$573,000 (the "Mast Hill Principal Sum"). In addition, the Company issued a common stock purchase warrant for the purchase of up to 1,000,000 shares of the Company's common stock (the "Mast Hill Warrant") to Mast Hill pursuant to the Mast Hill SPA. Pursuant to the terms of the Mast Hill Note, the Company agreed to pay the Mast Hill Principal Sum to Mast Hill and to pay interest on the principal balance at the rate of 12% per annum. The Mast Hill Note carries an OID of \$57,300. Accordingly, on the closing date, Mast Hill paid the purchase price of \$515,700 in exchange for the Mast Hill Note and the Mast Hill Warrant. Mast Hill may convert the Mast Hill Note into shares of the Company's common stock at any time at a conversion price equal to \$0.175 per share, subject to adjustment as provided in the Mast Hill Note (including but not limited to certain price protection provisions in case of future dilutive offerings, subject to certain customary exempt transactions) as well as certain beneficial ownership limitations.

Pursuant to the terms of the Mast Hill Note, the Company agreed to pay accrued interest monthly as well as the Mast Hill Principal Sum as follows: (i) \$57,300 on August 23, 2023, (ii) \$57,300 on September 23, 2023, (iii) \$57,300 on October 23, 2023, (iv) \$100,000 on November 23, 2023, (v) \$100,000 on December 23, 2023, (vi) \$100,000 on January 23, 2023, and (vii) all remaining amounts owed under the Mast Hill Note on the Mast Hill Maturity Date (each of the aforementioned payments are an "Amortization Payment"). If the Company fails to make any Amortization Payment, then Mast Hill shall have the right to convert the amount of such respective Amortization Payment into shares of common stock as provided in the Mast Hill Note at the lesser of (i) the then applicable conversion price under the Mast Hill Note, or (ii) 85% of the lowest VWAP of the Company's common stock on any trading day during the five trading days prior to the respective conversion date.

The Company may prepay the Mast Hill Note at any time prior to the date that an Event of Default (as defined in the Mast Hill Note) occurs at an amount equal to the Mast Hill Principal Sum then outstanding plus accrued and unpaid interest (no prepayment premium) plus \$750 for administrative fees. The Mast Hill Note contains customary events of default relating to, among other things, payment defaults, breach of representations and warranties, and breach of provisions of the Mast Hill Note, Mast Hill Warrant, or Mast Hill SPA.

Upon the occurrence of any Event of Default, the Mast Hill Note shall become immediately due and payable and the Company shall pay to Mast Hill, in full satisfaction of its obligations hereunder, an amount equal to the Mast Hill Principal Sum then outstanding plus accrued interest multiplied by 125%. Upon the occurrence of an Event of Default, additional interest will accrue from the date of the Event of Default at the rate equal to the lower of 16% per annum or the highest rate permitted by law.

The Mast Hill Warrant is exercisable for five years from February 23, 2023, at an exercise price of \$0.25 per share, subject to adjustment as provided in the Mast Hill Warrant. The Mast Hill Warrant also contains certain cashless exercise provisions as well as price protection provisions providing for adjustment of the number of shares of the Company's common stock issuable upon exercise of the Mast Hill Warrant and the exercise price in case of future dilutive offerings, subject to certain customary exempt transactions.

As additional consideration for the purchase of the Mast Hill Note and pursuant to the terms of the Mast Hill SPA, on February 24, 2023, the Company issued 955,000 restricted shares of common stock (the "Commitment Shares") to Mast Hill at closing. The Mast Hill SPA contains customary representations, warranties, and covenants of the Company, including, among other things and subject to certain exceptions, piggy-back registration rights with respect to the Commitment Shares as well as the shares of common stock underlying the Mast Hill Note and the Mast Hill Warrant. In addition to the beneficial ownership limitations provided in the Mast Hill Note and the Mast Hill Warrant, the sum of the number of shares of common stock that may be issued under the Mast Hill SPA (including the Commitment Shares), the Mast Hill Note, and the Mast Hill Warrant shall be limited to 19.9% of the issued and outstanding common stock on the closing date (equal to 27,720,448 shares) as further described in the Mast Hill SPA, unless shareholder approval to exceed such limitation is obtained by the Company.

On March 23, 2023, the Company made a monthly interest-only payment to Mast Hill in the amount of \$5,086.

March 2023 FirstFire Securities Purchase Agreement, Note & Warrant

On March 21, 2023, the Company entered into a securities purchase agreement (the "SPA") with FirstFire, pursuant to which the Company issued an 12% unsecured promissory note (the "2023 FirstFire Note") with a maturity date of March 21, 2024, in the principal sum of \$573,000 (the "Principal Sum"). In addition, the Company issued a common stock purchase warrant for the purchase of up to 1,000,000 shares of the Company's common stock (the "2023 FirstFire Warrant") to FirstFire pursuant to the SPA. Pursuant to the terms of the 2023 FirstFire Note, the Company agreed to pay the Principal Sum to FirstFire and to pay interest on the principal balance at the rate of 12% per annum. The 2023 FirstFire Note carries an OID of \$57,300. Accordingly, on the closing date, FirstFire paid the purchase price of \$515,700 in exchange for the 2023 FirstFire Note and the 2023 FirstFire Warrant. FirstFire may convert the 2023 FirstFire Note into the Company's common stock at any time at a conversion price equal to \$0.175 per share, subject to adjustment as provided in the 2023 FirstFire Note (including but not limited to certain price protection provisions in case of future dilutive offerings, subject to certain customary exempt transactions) as well as certain beneficial ownership limitations.

Pursuant to the terms of the 2023 FirstFire Note, the Company agreed to pay accrued interest monthly as well as the Principal Sum as follows: (i) \$57,300 on September 21, 2023, (ii) 57,300 on October 21, 2023, (iii) \$57,300 on November 21, 2023, (iv) \$100,000 on December 21, 2023, (v) \$100,000 on January 21, 2024, (vi) \$100,000 on February 21, 2024, and (vii) all remaining amounts owed under the 2023 FirstFire Note on the maturity date (each of the aforementioned payments are an "Amortization Payment"). If the Company fails to make any Amortization Payment, then FirstFire shall have the right to convert the amount of such respective Amortization Payment into shares of common stock as provided in the 2023 FirstFire Note at the lesser of (i) the then applicable conversion price under the 2023 FirstFire Note or (ii) 85% of the lowest VWAP of the Company's common stock on any trading day during the five trading days prior to the respective conversion date.

The Company may prepay the 2023 FirstFire Note at any time prior to the date that an event of default (as provided in the 2023 FirstFire Note) occurs at an amount equal to the Principal Sum then outstanding plus accrued and unpaid interest (no prepayment premium) plus \$750 for administrative fees. The 2023 FirstFire Note contains customary events of default relating to, among other things, payment defaults, breach of representations and warranties, and breach of provisions of the 2023 FirstFire Note, the 2023 FirstFire Warrant, or SPA.

Upon the occurrence of any event of default, the 2023 FirstFire Note shall become immediately due and payable and the Company shall pay to FirstFire, in full satisfaction of its obligations hereunder, an amount equal to the Principal Sum then outstanding plus accrued interest multiplied by 125% (the "Default Amount"). Upon the occurrence of an Event of Default, additional interest will accrue from the date of the Event of Default at the rate equal to the lower of 16% per annum or the highest rate permitted by law.

The 2023 FirstFire Warrant is exercisable for five years from March 21, 2023, at an exercise price of \$0.25 per share, subject to adjustment as provided in the 2023 FirstFire Warrant. The 2023 FirstFire Warrant also contains certain cashless exercise provisions as well as price protection provisions providing for adjustment of the number of shares of common stock issuable upon exercise of the 2023 FirstFire Warrants and the exercise price in case of future dilutive offerings, subject to certain customary exempt transactions.

As additional consideration for the purchase of the 2023 FirstFire Note and pursuant to the terms of the SPA, on March 22, 2023, the Company issued 955,000 restricted shares of the Company's common stock (the "Commitment Shares") to FirstFire at closing. The SPA contains customary representations, warranties, and covenants of the Company, including, among other things and subject to certain exceptions, piggy-back registration rights with respect to the Commitment Shares as well as the shares of common stock underlying the 2023 FirstFire Note and the 2023 FirstFire Warrant. In addition to the beneficial ownership limitations provided in the 2023 FirstFire Note and the 2023 FirstFire Warrant, the sum of the number of shares of common stock that may be issued under the SPA (including the Commitment Shares), the 2023 FirstFire Note, and 2023 FirstFire Warrant shall be limited to 10,000,000 shares as further described in the SPA, unless shareholder approval to exceed such limitation is obtained by the Company.

Business Growth Initiatives

The Company's mission is to provide excellence in multidisciplinary primary health care evaluation, assessment, diagnosis, treatment, pain management and prevention through the integration of medical technology, advanced therapeutics, and rehabilitative science combined with the development and distribution of high-quality health and wellness product solutions. Key elements of our business growth initiatives include:

- *Increase Market Share in Canada through Organic Growth, Asset Acquisition and Affiliate Network Expansion for both our Clinic and Eldercare Operations.* Specific to our clinic operations, the Company has an ongoing initiative to expand our Canadian market share through organic growth, increasing our affiliate network of clinics, as well as strategic acquisitions and Joint Ventures of operating multidisciplinary primary health care clinics in markets in which we currently operate as well as new geographic markets. Specific to our eldercare based operations, we intend to increase our Canada market share of providing contracted-occupational therapy and physiotherapy services to eldercare centric homes through network affiliation growth, new contract awards, and increased usage of telemedicine.

● *Expand Operations into the United States through:*

- the introduction and deployment of our various interconnected technology platforms to deliver the Company's array of primary care services and products.
- Establish micro clinics in existing facilities through partnerships with existing U.S. based operators of healthcare related services and products such as pharmacies and big-box retail outlets.
- The strategic acquisition of targeted U.S. operating clinics in key geographical areas.
- The strategic acquisition of targeted U.S. operating pharmacies in key geographical areas.
- Establishment of strategic affiliations, alliances and partnerships with existing U.S. health care provider facilities allowing us immediate access to their client base.

● **Open Micro-Clinic Facilities through our U.S. and Canada LA Fitness Master Facility License Agreements.** Micro-clinic facilities are reduced footprint clinics, primarily located within the footprint of box-store commercial enterprises, focused on providing both (i) multidisciplinary primary care and medical technology related services, and (ii) health and wellness products. Under the terms of our agreements with LA Fitness (U.S. and Canada), we are planning to operate micro-clinic facilities within the footprint of LA Fitness facilities throughout both the U.S. and Canada. Each micro-clinic exists through either third-party sub-license agreements or corporate sponsored arrangement. The Company's LA Fitness based micro-clinic facilities will primarily provide outpatient physiotherapy and occupational therapy services.

● *Further Development and Usage of Novo Connect and Telemedicine/Telehealth Medical Technology Platform.*

The Company's focus on a holistic approach to patient-first health and wellness, through innovation and decentralization, includes maintaining an on-going continuous connection with our current and future patient community, beyond the traditional confines of brick-and-mortar facilities, by extending oversight of patient evaluation, diagnosis, treatment solutions, and monitoring, directly through various Medical Technology Platforms and periphery tools either in-use or under development. Through the integration and deployment of sophisticated and secure technology and periphery diagnostic tools, the Company is working to expand the reach of our non-critical primary care services and product offerings, beyond the traditional clinic locations, to geographic areas not readily providing advanced primary care service to date, including the patient's home.

The Company believes the healthcare industry is in the early stages of a fundamental transformation of the patient-practitioner-health insurer relationship whereby the patient is demanding greater control and care collaboration for their health and wellness needs while the practitioner desires dramatic improved efficiency in the delivery of their expertise to the patient. Through both internal development and partnerships, the Company is working to provide the next generation of telehealth technology capability to offer the patient and the practitioner a sophisticated and enhanced telehealth interaction through laptop, desktop or the Company's Novo Connect mobile application.

Novo Connect is the Company's proprietary mobile application designed and built to be a secure, cloud-based health and commerce web application intended to assist patients as they explore, connect, manage, and have direct control of their personalized health and wellness needs. Novo Connect is designed to integrate the Company's interconnected technology and provide the patient a single platform with a robust healthcare ecosystem of services, products and digital health offerings.

Through the interface of sophisticated peripheral based diagnostic tools, such as a blood pressure reading device, a derma scope, an ophthalmoscope otoscope, and other add-ons operated by skilled support workers in the patient's remote location, the practitioner's ability and comfort to provide a uniquely comprehensive evaluation, diagnosis, and treatment solution is dramatically elevated creating virtual visits that are intended to be as real and as effective as a physical visit.

Specific to our eldercare operations, prior to COVID-19 our Telemedicine Medical Technology Platform was primarily focused on providing physiotherapy related "virtual-care" services to both smaller and remote eldercare focused facilities to ensure access to service providers, when needed; and continuity of care to eldercare patients without service providers in their area. With the profound impact COVID-19 has had on the delivery of healthcare services sector wide, we expanded our eldercare related Telemedicine Medical Technology Platform to include non-critical resident reviews, exercise related activity and additional physiotherapy sessions, ensuring continuity of service for our long-term care and retirement home clients.

Specific to our Clinic based operations, the success of telemedicine has always depended on the adoption of virtual technology by clinicians, medically licensed providers and the patient. A basic checklist approach to results allows both multidisciplinary clinicians and medically licensed providers to remotely determine if direct medical attention is required rather than remote or virtual guidance to care. The patient friendly telemedicine platform removes the traditional barrier represented by intimidating peripherals along with necessary precision use and application of the peripherals to obtain accurate data necessary for appropriate diagnosis. A patient can now feel certain of their role in the assessment process without sophisticated and exhaustive training.

- **Develop and Launch our Remote Patient Monitoring Medical Technology Platform.** Beyond the traditional confines of in-clinic visits, our Remote Patient Monitoring Medical Technology Platform ("RPM platform" or "RPM") provides clinicians and practitioners the ability to maintain an on-going continuous connection with their patient community extending patient care directly into the patient's home. Through our licensing agreement with Cloud DX, our RPM platform empowers a patient to have direct control of collecting and monitoring real-time vital sign information while maintaining a direct technology link from patient to clinician or medical practitioner. The transfer of vital information from home to clinic or patient to clinician allows for the delivery of high quality, non-redundant diagnostic based proactive healthcare. The implementation of in-clinic patient metrics equivalent to those derived via a remote application in the home environment is the first step in engaging patient retention to remote review.

Effective with the re-opening of NHL's corporate clinics post COVID-19 lockdown, we have launched Phase 1 of our Remote Patient Monitoring Medical Technology Platform. Using the Cloud DX technology, at the time of our clinic staff initiating patient check-in, NHL's staff is collecting pertinent vital sign data for on-going analysis, comparison, and observation under the RPM license application. Our clinic staff are actively working to educate our patients regarding the benefits of participating in our RPM Platform. In Canada, third party insurance coverage for RPM related devices is now being reviewed for implementation nationwide. Currently, as documented and requested by the clinician, insurance coverage is being approved on a case-by-case basis.

Additionally, the Company is implementing a marketing and sales program to sub-license the Cloud DX technology to our Canadian affiliate clinic network as well as other clinics and medically licensed providers throughout both Canada and the United States.

- **Build an Intellectual Property and Patent Portfolio.** In addition to the Company's current portfolio of Intellectual Property (IP), patent-pending and patent assets, we intend to acquire or obtain licensing rights for IP and patents related to health sciences, health and wellness products, and nano-formulation.

When considering nano-formulation patent and IP assets, one specific area we intend to pursue relates to medical cannabis related medicines, beverages and foods infused with dry powder, liquid or oil with further formulation into creams and gels, allowing for oral, intravenous and/or transdermal delivery.

- **Expand our Posture, Stride, and Kinetic Body Movement Scanning Technologies and Protocols.** When combined with decades of data harvesting and analysis, we believe these specialized technologies and protocols provide our clinics with the ability to deliver better healthcare, through early diagnosis and preventative health care strategies, to both our patients and patients under the care of other providers.
- **Launch our Exclusive Medicinal Cannabidiol (“CBD”) Product Platform based in Canada.** As we continue to build our health science platform of services and products through the integration of technology and rehabilitative science, one component of our lateral business growth strategy includes developing business units centered on the direct control of the cultivation, processing, and manufacturing of CBD products in Canada, and the sale and distribution of medicinal CBD products in Canada and authorized U.S. states. We expect our prospective medicinal CBD products will be specifically focused on CBD for use (i) as a treatment aid; (ii) to provide relief for a large array of neurological and musculoskeletal system disorders; and (iii) as an alternative option for health care providers in place of prescribing opioids to patients.

Offering our patients access to non-hallucinogenic and non-addictive natural remedies, under required clinical oversight policies and procedures as they relate to medicinal CBD, combined with our existing clinic-based treatment protocols, allows us to enter this market segment with a unique integration model not readily available in the marketplace.

LA Fitness U.S. and Canada License Agreement & Guaranty for Micro Clinics

In September 2019, through its U.S. subsidiary Novomerica Health Group, Inc. (“Novomerica”) and its Canadian subsidiary, Novo Healthnet Limited, the Company entered into exclusive Master Facility License Agreements (“License Agreement”) to establish and operate reduced footprint clinics, or “micro-clinics”, to provide outpatient physical and/or occupational therapy services and related products within LA Fitness facilities in both the U.S. and Canada. In March 2020, as a result of guidelines issued by local, state, federal, and provincial authorities due to the COVID-19 pandemic, LA Fitness U.S. and Canada closed all facilities nationwide. As a result, all contractual terms and conditions of both our U.S. and Canada Master Facility License Agreements were placed on hold through fiscal year 2021 with all parties expressing the intent to amend both the U.S. and Canada License Agreements and related timelines to launch our LA Fitness micro-clinic facilities as “normal” activity resumes in the LA Fitness U.S. and Canada facilities.

On December 15, 2021, NHL entered into an Amended and Restated Master Facility License Agreement (the “Amended and Restated Canada License Agreement”) with LAF Canada Company (“LA Fitness Canada”). The Amended and Restated Canada License Agreement had the effect of (i) removing NHL’s obligation to develop and open a certain number of facilities within certain designated time periods; and (ii) revising the default provisions such that certain defaults will result only in termination with respect to a specific facility, rather than of the license itself. As a result of the Amended and Restated Canada License Agreement, NHL may continue to develop and open additional facilities for business.

We cannot guarantee that the U.S. License Agreement will be amended to allow for an extension of its timeline. Currently, under both government and internal corporate directives, LA Fitness continues to both open and expand operations, access and services offered in both its U.S. and Canada facilities. Opening of our micro-clinic facilities may vary from state to state and province-to-province; however, our model plan to partner and sub-license with existing local clinic ownership to launch and operate each of our LA Fitness micro-clinic facilities remains intact. Due to the ever-changing conditions surrounding the operations of both U.S. and Canada based LA Fitness facilities, we are unable to verify our schedule to commence opening our micro-clinics, but we are tentatively planning on a target of the latter part of 2023.

Cloud DX

On February 26, 2019, the Company entered into a Software License Agreement with Cloud DX, Inc., a medical device company, operating in the United States and Canada that develops both hardware and related software for Remote Patient Monitoring Medical Technology Platform and Chronic Care, that provides NHL with perpetual licensing rights to the Bundled Pulsewave PAD-1A USB Blood Pressure Device, related software and up-to-date product releases. Additionally, the License Agreement provides NHL with conditional exclusive rights, over the initial 5-year period, to sub-license and resell Bundled Pulsewave Devices and related software pursuant to the terms of the Software License Agreement.

The Cloud DX platform allows NHL to further expand on its patient care philosophy of maintaining an on-going continuous connection with its patient community, beyond the traditional confines of a clinic, extending oversight of patient care and monitoring directly into the patient's home through Remote Patient Monitoring Medical Technology Platform. The Cloud DX technology empowers a patient with real-time vital sign information while maintaining a direct technology link from patient to clinician or medical practitioner. The transfer of vital information from home to clinic or patient to clinician further allows our clinicians and practitioners to deliver non-redundant diagnostic based proactive multidisciplinary primary health care.

Effective with the re-opening of NHL's corporate clinics post COVID-19 lockdown, we have launched Phase 1 of our Remote Patient Monitoring Medical Technology Platform. Using the Cloud DX technology, at the time of our clinic staff initiating patient check-in, NHL's staff is collecting pertinent vital sign data for on-going analysis, comparison, and observation under the RPM license application. Our clinic staff are actively working to educate our patients regarding the benefits of participating in our RPM Platform. In Canada, third party insurance coverage for RPM related devices is now being reviewed for implementation nationwide. Currently, as documented and requested by the clinician, insurance coverage is being approved on a case-by-case basis.

Additionally, the Company is implementing a marketing and sales program to sub-license the Cloud DX technology to our Canadian affiliate clinic network as well as other clinics and medically licensed providers throughout both Canada and the United States.

Contracts

Certain contracts held with client homes and client companies follow standard formats and include generally accepted terms of reference. Specific clauses within the NHL contracts for services contain language intended to (1) clarify which entity is the health information custodian of the medical files (usually held by the client home or company), (2) define release of liability, (3) ensure privacy and confidentiality of proprietary information or private health information, (4) define provisions of worker's compensation clearance or benefits for employees and/or contractors, (5) detail provisions of value-added items, services or programs, (6) set out terms and conditions of the contract (often for a set number of years with an option to a renew), (7) provide for termination conditions, and (8) detail invoicing and billing procedures.

Employees

As of August 31, 2022, we employed 115 full-time employees and 91 part-time employees across all Company subsidiaries. Specific to our clinic and eldercare services, approximately 90% of our clinicians and practitioners are contracted as independent contractors. We believe that a diverse workforce is important to our success. We will continue to focus on the hiring, retention and advancement of women and underrepresented populations, and to cultivate an inclusive and diverse corporate culture. In the future, we intend to continue to evaluate our use of human capital measures or objectives in managing our business such as the factors we employ or seek to employ in the development, attraction and retention of personnel and maintenance of diversity in our workforce.

The success of our business is fundamentally connected to the well-being of our people. Accordingly, we are committed to the health, safety and wellness of our employees. We provide our employees and their families with access to a variety of innovative, flexible and convenient health and wellness programs, including benefits that provide protection and security so they can have peace of mind concerning events that may require time away from work or that impact their financial well-being; that support their physical and mental health by providing tools and resources to help them improve or maintain their health status and encourage engagement in healthy behaviors; and that offer choice where possible so they can customize their benefits to meet their needs and the needs of their families.

We also provide robust compensation and benefits programs to help meet the needs of our employees. We believe that we maintain a satisfactory working relationship with our employees and have not experienced any labor disputes.

Competition

In both Canada and the U.S., the primary healthcare service sector in which we operate is highly competitive. Specific to both our clinic and eldercare operations, with a finite number of patients and corporate clients, companies providing multidisciplinary primary health care services operate within an overlapping patient and client landscape.

Our principal competitors include other multidisciplinary primary healthcare providers, clinics, pharmacies, other micro clinic-oriented facilities, hospitals, and general primary care facilities. An important part of our business strategy is to continue making targeted acquisitions of other multidisciplinary primary healthcare providers. However, reduced capacity, the passage of healthcare parity legislation, and increased demand for multidisciplinary primary healthcare related services and products are likely to attract other potential buyers, including diversified healthcare companies, other pure-play multidisciplinary primary healthcare providers, companies, and private equity firms.

In addition to the competition we face for acquisitions, we must also compete for patients. Patients are referred to our multidisciplinary primary healthcare facilities through a number of different sources, including healthcare practitioners, public programs, other treatment facilities, insurance providers, legal practitioners, and word of mouth from previously treated patients and their families, among others. These referral sources may instead refer patients to other providers of services similar to ours.

There is additional competition from non-traditional healthcare providers, such as holistic and Eastern medicine-based clinics. We believe we can successfully compete based on providing high-quality specialized multidisciplinary primary health care services, products, meaningful interconnected technology applications, competitive pricing, building and maintaining a solid reputation and our caregiver's devotion to maintaining the highest quality patient satisfaction.

The health and wellness product industry is highly competitive. Our ability to remain competitive depends on many factors, including having relevant products that meet consumer needs, enhanced education and tools, innovation in our products and services, competitive pricing, a strong reputation, and a financially viable company.

Health Insurance Plans

Additionally, our ability to effectively compete for patients is impacted by commercial and managed care payor programs that influence patient choice by offering health insurance plans that restrict patient choice of provider.

Canadian Health Care System

Our competition will also be the Canadian health care system which is a government sponsored system that began in 1957, when Parliament approved the Hospital Insurance and Diagnostics Services Act. The Act provided free acute hospital care, laboratory and radiological diagnostic services to Canadians. By 1961, agreements were in place with all the provinces and 99% of Canadians had free access to the health care services covered by the legislation. The Act was followed by the Medical Care Act of 1966 that provided free access to physician services. By 1972, each province had established its own system of free access to physician services. The federal government shared in the funding. In 1984, the Government of Canada passed the Canada Health Act (CHA). The Canada Health Act created a publicly administered health care system that is comprehensive, universal and accessible. All medically necessary procedures are provided free of charge. The system provides diagnostic, treatment and preventive services regardless of income level or station in life. Access to care is not based on health status or ability to pay. Coverage is portable between provinces and territories. We can give no assurance that we will be able to effectively compete in this market.

Government Regulation and Health Care Regulation

Canada

In Canada, some health care services are public, some are private and there are a number of different entities involved in regulating and providing their delivery. While there is a perception that all health care in Canada is publicly funded, the publicly funded system is generally restricted to “medically necessary” hospital and physician services, and provincial or territorial drug plans that provide access to prescription drugs to residents over the age of 65 or those residents who rely on social assistance programs. Publicly funded services are delivered through a combination of public and private providers and funding comes from the Canadian federal government, which sets national standards, and the provincial and territorial governments, which regulates the delivery of services and determines those services that are deemed “medically necessary” (i.e., publicly funded) within the context of their own unique fiscal and political environment. In addition, there are a wide array of health products and services that are not subject to coverage under the public health insurance plans that are provided on a private payer basis. See “Risks Related to our Multidisciplinary Primary Health Care Business”.

Federal/Provincial Government Division of Power

As is the case for many important industries and economic sectors, neither the federal, nor the provincial/territorial level of government has exclusive jurisdiction over health. Instead, the Constitution Act, 1867, divides the legislative powers relevant to the regulation of the delivery of health products and services between the federal and provincial levels of government.

The federal government is responsible for regulating important aspects of various health industries or sectors including the regulation of selling, importing, distributing and marketing of drugs and medical devices and maintains significant influence over health policy and national objectives through the use of its spending power.

The provincial/territorial level of government has comprehensive authority over the delivery of health care services. Other examples of provincial responsibility include the regulation of hospitals and other health facilities, administration of health insurance plans, distribution of prescription drugs and regulation of health professionals.

However, many health industry sectors are subject to at least some degree of regulation or oversight by both levels of government.

Canada's National Health Insurance Program

Canada’s “national” health insurance program, a publicly funded single-payer system often referred to as “Medicare,” is designed to ensure that all Canadian residents have universal access to medically necessary hospital and physician services through the provincial and territorial health care insurance plans.

The Canada Health Act

The Canada Health Act is the federal legislation that provides the foundation for the Canadian health care system. The Act is administered by Health Canada, the federal department with primary responsibility for maintaining and improving the health of Canadians. However, neither the Canada Health Act nor Health Canada have direct authority to regulate the health insurance plans that give effect to the publicly funded health insurance system that is in place across the country. Instead, the Act establishes certain values and principles and sets out criteria and conditions that each publicly funded health insurance plan is required to meet in order to qualify for federal funding through the Canada Health Transfer. As federal funding is critical to the ability to fund “medically necessary” hospital and physician services, each provincial and territorial health insurance plan must satisfy the requirements of public administration; universality; portability; comprehensiveness; and accessibility.

Notably, these requirements relate only to funding and administration and establish broad principles rather than a prescriptive code. In addition, the Canada Health Act is silent with respect to the delivery of health services and does not prohibit or discourage the delivery of insured health services by the private sector. As a result, there is significant variation in the funding and administration of health insurance plans from one jurisdiction to another. However, most provinces permit the delivery of a broad range of publicly funded health services through a combination of both public and private providers. Indeed, many publicly funded services in Canada are privately delivered.

The requirement that publicly funded health insurance plans be comprehensive requires that “medically necessary” hospital and physician services be covered. If a service is determined to be “medically necessary” then the full cost of the service must be covered by the public plan. However, the term is not defined and the services that must be covered are intentionally and broadly defined in order to accommodate the ability of each province and territory to make its own coverage decisions within the context of its unique fiscal and political environment. Typically, such decisions are made in consultation with the relevant medical associations in the jurisdiction. However, determining whether a particular service is “medical necessary” is a determination that has both a fiscal and political dimension. Ultimately, these coverage decisions are decisions about the allocation of scarce public resources.

The products and services available to Canadians through the publicly funded health insurance system are supplemented by a wide array of health products and services that are not, as a general matter, subject to coverage under the public health insurance plans. For example, prescription drug coverage, dental services and vision care are generally provided on a private payer basis. However, many jurisdictions provide coverage for these types of services to seniors and those who face financial or other barriers to privately funded health care. There are also a growing number of providers that offer non-medically necessary ancillary health services. Examples include elective surgical or cosmetic procedures.

Regulation of Health Professionals and Health Facilities

Health professionals and health care facilities are subject to federal laws of general application, but the regulation of such matters is largely a matter of provincial jurisdiction.

Health Professionals

Through legislation, the provinces have delegated the regulation of health professionals to self-governing professional bodies (with varying degrees of discretion). Such legislation generally seeks to protect the public through a combination of "input regulations" that focus on who is entitled to provide a particular health service and "output regulations" that focus on the quality and delivery of the service being provided. Such regulations also generally include conflict of interest (or anti-kickback) provisions, as such matters are generally dealt with as part of the regulation of health professions rather than the regulation of health facilities.

Health industry participants that offer a particular service need to understand how the service is regulated. If the service involves the performance of a regulated or controlled act (i.e., acts that can only be performed by a particular category or categories of regulated health professionals or their delegates) then the involvement of one or more duly qualified health professionals will likely be required. Also, it may be necessary to implement certain protocols and procedures in order to comply with the requirements of the regulatory colleges that govern the practices of any such professionals. Complying with such requirements can have significant commercial implications.

Health Facilities

Operating a regulated health facility can be challenging and often involves a degree of regulatory risk.

Residential health care facilities other than hospitals, such as nursing homes, long-term care facilities, pharmacies, laboratories and specimen collection clinics are, in most jurisdictions, privately owned and operated pursuant to provincial licenses and oversight. However, the degree to which such health facilities and other providers are regulated generally depends on the nature of the products and services being provided.

The operation of health facilities by private sector entities still typically involves some element of reimbursement through public funds. Where public funds are being used to acquire goods and services, additional accountability measures such as procurement requirements often apply.

Regulation of Drugs

The process of obtaining marketing authorizations and approvals of prescription drugs is administered by Health Canada's Therapeutic Products Directorate ("TPD").

The TPD applies the Food and Drugs Act and the regulations applicable to prescription drugs to ensure that drug products sold in Canada are safe and effective. No drug product can be offered for sale in Canada unless and until, after review, it is issued a marketing authorization by Health Canada.

In addition to its review of drug products, Health Canada is responsible for the ongoing monitoring of drug products being sold in Canada, as well as the regulation of good manufacturing practices and establishment licenses, which are required in connection with the import, manufacture, distribution and/or sale of drug products.

The Patented Medicines Prices Review Board

The Patented Medicines Prices Review Board (“PMPRB”) is an independent quasi-judicial body created in 1987 under amendments to the Patent Act. The PMPRB is responsible for regulating the prices that patentees charge for prescription and non-prescription patented drugs sold in Canada. Based on a review of the information required to be filed by a patentee, the PMPRB considers whether the price of a medicine appears excessive based on certain factors including: (i) the prices that the patented medicine is sold in the Canadian market; (ii) the prices at which other medicines in the same therapeutic class are sold in the Canadian market; and (iii) the prices at which the medicine and other medicines in the same therapeutic class have been sold in other countries other than Canada. If the PMPRB considers the price of a medicine appears excessive, revised pricing is the usual outcome.

Public Market Access

Each province has a provincial drug plan that allows certain individuals to access drugs at a reduced cost. Products that will be paid for by the provincial government (in some provinces, for all residents, while in others for certain prescribed individuals such as seniors and individuals receiving social assistance), are typically listed on provincial formularies. For innovator products, the manufacturer negotiates the pricing for inclusion on the provincial formulary with the provincial government. For generic products, the price to be paid for the generic product is determined by a sliding scale of fixed prices related to when such products enter the market and the price of the innovator product (i.e., a percent of the price of the innovator pharmaceutical product depending on whether they are first, second or third entry products). If a drug is a generic product and listed as interchangeable on the provincial formulary, a pharmacist is permitted to dispense the interchangeable product for the innovator product. Under most provincial benefit plans, interchanging a generic product for the innovator product by pharmacists is mandatory and generally most provinces will only reimburse the pharmacist for the lowest cost interchangeable product. Government drug plans account for approximately 50% of all sales of prescription drugs in Canada.

The scope and enforcement of each of these laws is uncertain and subject to constant change. Federal and provincial enforcement entities have significantly increased their scrutiny of health care companies and providers which has led to investigations, prosecutions, convictions and large settlements. Although we conduct our business in compliance with all applicable federal and provincial fraud and abuse laws, many of these laws are broadly worded and may be interpreted or applied in ways that cannot be predicted with any certainty. Therefore, we cannot assure you that our arrangements or business practices will not be subject to government scrutiny or that they will be found to be in compliance with applicable fraud and abuse laws. Further, responding to investigations can be time consuming and result in significant legal fees and can potentially divert management's attention from the Company.

Client Information Privacy

In Canada, under the Personal Information Protection and Electronic Documents Act and under various provincial laws, comprehensive privacy laws have been introduced to protect the privacy of individuals from the undisclosed or non-consensual sharing of sensitive information for commercial purposes. As the gathering and use of information is such an integral component of our business, we must always be alert for and respond to changes in the information regulatory environment.

Protection of Environment and Human Health and Safety

We are subject to various federal, state and local and regulations relating to the protection of the environment and human health and safety, including those governing the management and disposal of hazardous substances and wastes, the cleanup of contaminated sites and the maintenance of a safe workplace. Some of our operations include the use, generation and disposal of hazardous materials. We also plan to acquire ownership in new facilities and properties, some of which may have had a history of commercial or other operations. We may, in the future, incur liability under environmental statutes and regulations with respect to contamination of sites we own or operate, including contamination caused by prior owners or operators of such sites, abutters or other persons, and the off-site disposal of hazardous substances. Violations of these laws and regulations may result in substantial civil penalties or fines.

United States

The United States health care industry is subject to extensive regulation by federal, state and local governments. Government regulation affects our businesses in several ways, including requiring licensure or certification of facilities, regulating billing and payment for certain of our services, regulating how we maintain health-related information and patient privacy, and regulating how we pay and contract with our physicians. Our ability to conduct our business and to operate profitability depends in part upon obtaining and maintaining all necessary licenses and other approvals; and complying with applicable healthcare laws and regulations. See "Risk Factors — Risks Related to Health Care Regulation."

State Law Regulation of Construction, Acquisition or Expansion of Healthcare Facilities

Thirty-six states have certificate of need programs that require some level of prior approval for the construction of a new facility, acquisition or expansion of an existing facility, or the addition of new services at various healthcare facilities. Following the acquisition of one or more clinics or staffing primary healthcare practitioners in the United States, states where we may seek to operate may require a certificate of need to acquire or operate our clinics.

State Licensure

Only a few states may require the licensure of multidimensional primary health care clinics and clinics such as ours. This absence of a uniform licensing process leads to inconsistencies in the nature and scope of services offered at our care clinics. To effectively control both the nature of services rendered and the environment in which services are offered, state legislators or regulators may attempt to regulate the urgent care industry in a manner similar to hospitals and freestanding emergency rooms. Following the acquisition of one or more clinics or staffing primary healthcare practitioners in the United States, such regulations could have a material impact on our growth strategy and expansion plans.

Laws and Rules Regarding Billing

Following the intended acquisition, or opening, of one or more multidisciplinary primary healthcare clinics or the staffing of multidisciplinary primary healthcare clinics, affiliate clinics or eldercare centric homes with clinicians and practitioners in the United States, numerous state and federal laws may apply to our claims for payment, including but not limited to (i) "coordination of benefits" rules that dictate which payor must be billed first when a patient has coverage from multiple payors, (ii) requirements that overpayments be refunded within a specified period of time, (iii) "reassignment" rules governing the ability to bill and collect professional fees on behalf of other providers, (iv) requirements that electronic claims for payment be submitted using certain standardized transaction codes and formats, and (v) laws requiring all health and financial information of patients in a manner that complies with applicable security and privacy standards.

Additionally, on January 16, 2009, the United States Department of Health and Human Services ("HHS"), released the final rule (implemented on October 1, 2015) mandating that providers covered by the Administrative Simplification Provisions of the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), including our clinics, comply with ICD-10. Following the acquisition of one or more clinics or staffing primary healthcare practitioners in the United States, we will incur additional compliance related costs.

Medicare and Medicaid

Following the intended acquisition, or opening, of one or more multidisciplinary primary healthcare clinics or the staffing of multidisciplinary primary healthcare clinics, affiliate clinics or eldercare centric homes with clinicians and practitioners in the United States, our clinics and multidisciplinary primary healthcare clinicians and practitioners, including any staffing we might pursue in affiliate clinics or eldercare centric homes in the United States, might participate in the federal Medicare and/or Medicaid programs.

Since 1992, Medicare has paid for the “medically necessary” services of physicians, non-physician practitioners, clinicians and certain other suppliers under a physician fee schedule, a system that pays for covered physicians’ services furnished to a person with Medicare Part B coverage. Under the physician fee schedule, relative values are assigned to each of more than 7,000 services to reflect the amount of work, the direct and indirect (overhead) practice expenses, and the malpractice expenses typically involved in furnishing that service. Each of these three relative value components is multiplied by a geographic adjustment factor to adjust the payment for variations in the costs of furnishing services in different localities. Relative value units, or RVUs, are summed for each service and then are multiplied by a fixed-dollar conversion factor to establish the payment amount for each service. The higher the number of RVUs assigned to a service, the higher the payment. Under the Medicare fee-for-service payment system, an individual can choose any licensed physician enrolled in Medicare and use the services of any healthcare provider or facility certified by Medicare.

On November 2, 2017, the Clinics for Medicare & Medicaid Services (“CMS”) issued a final rule updating the Quality Payment Program (“QPP”) under the Medicare and CHIP Reauthorization Act of 2015 (“MACRA”). MACRA was signed into law on April 16, 2015, ending the Sustained Growth Rate (“SGR”) formula for determining Medicare spending on physician services. MACRA created two provider payment tracks—the Medicare Incentive Payment System (“MIPS”) and the Advanced Alternative Payment Models (“A-APM”) track. Under MIPS, clinicians receive an annual composite score, which drives either an upward or downward rate adjustment two years after the performance period. Under the A-APM track, participants in Medicare Alternative Payment Models that exceed specified levels of clinician risk become MIPS-exempt and receive special bonuses equivalent to 5% of their annual Part B revenue. MACRA requirements on clinicians are already in effect for calendar year 2017, with payment adjustments under the new system due to start in 2019. However, in rulemaking last year, CMS significantly scaled back MIPS requirements for Performance Year 2017 to address concerns about physician buy-in and participation. Under the Final Rule, CMS would continue this “go slow” trajectory for MIPS, notably by increasing MIPS exemptions and once again scaling back potential downside payment adjustments through design of the MIPS scoring system. Reductions in Medicare payments could have a material adverse effect on our business.

CMS’s RAC Program

The Medicare Prescription Drug Improvement and Modernization Act of 2003 (“MMA”) introduced on a trial basis the use of Recovery Audit Contractors (“RACs”) for the purpose of identifying and recouping Medicare overpayments and underpayments. Any overpayment received from Medicare is considered a debt owed to the federal government. In October 2008, CMS made the RAC program permanent. RACs review Medicare claims to determine whether such claims were appropriately reimbursed by Medicare. RACs engage in an automated review and in a complex review of claims. Automated reviews are conducted when a review of the medical record is not required and there is certainty that the service is not covered or is coded incorrectly. Complex reviews involve the review of all underlying medical records supporting the claim and are generally conducted where there is a high likelihood, but not certainty, that an overpayment has occurred. RACs are paid a contingency fee based on overpayments they identified and collected.

A Medicare administrative contractor, or MAC, may suspend Medicare payments to a provider if it determines that an overpayment has occurred. When a Medicare claim for payment is filed, the MAC will notify the patient and the provider of its initial determination regarding reimbursement. The MAC may deny the claim for one of several reasons, including the lack of necessary information or lack of medical necessity for the services rendered. Providers may appeal any denials for claim payment.

Anti-Kickback Statute

Following the intended acquisition, or opening, of one or more multidisciplinary primary healthcare clinics or the staffing of multidisciplinary primary healthcare clinics, affiliate clinics or eldercare centric homes with clinicians and practitioners in the United States, if we are participants in the Medicare program, we will be subject to the Anti-kickback Statute. The Anti-Kickback Statute prohibits the knowing and willful offer, payment, solicitation or receipt of remuneration, directly or indirectly, in return for the referral of patients or arranging for the referral of patients, or in return for the recommendation, arrangement, purchase, lease or order of items or services that are covered, in whole or in part, by a federal healthcare program such as Medicare or Medicaid. The term “remuneration” has been broadly interpreted to include anything of value such as gifts, discounts, rebates, waiver of payments or providing anything at less than its fair market value. The ACA amended the intent requirement of the Anti-Kickback Statute such that a person or entity can be found guilty of violating the statute without actual knowledge of the statute or specific intent to violation the statute. Further, the ACA now provides that claims submitted in violation of the Anti-Kickback Statute constitute false or fraudulent claims for purposes of the civil False Claims Act (“FCA”) including the failure to timely return an overpayment. Many states have adopted similar prohibitions against kickbacks and other practices that are intended to influence the purchase, lease or ordering of healthcare items and services reimbursed by a governmental health program or state Medicaid program. Some of these state prohibitions apply to remuneration for referrals of healthcare items or services reimbursed by any third-party payor, including commercial payors.

Following the intended acquisition, or opening, of one or more multidisciplinary primary healthcare clinics or the staffing of multidisciplinary primary healthcare clinics, affiliate clinics or eldercare centric homes with clinicians and practitioners in the United States, if we accept funds from governmental health programs, we will be subject to the Anti-Kickback Statute. Violations of the Anti-Kickback Statute can result in exclusion from Medicare, Medicaid or other governmental programs as well as civil and criminal penalties, such as \$25,000 per violation and up to three times the remuneration involved. If in violation, we may be required to enter into settlement agreements with the government to avoid such sanctions. Typically, such settlement agreements require substantial payments to the government in exchange for the government to release its claims, and may also require entry into a corporate integrity agreement, or CIA. Any such sanctions or obligations contained in a CIA could have a material adverse effect on our business, financial condition and results of operations.

False Claims Act

The federal civil FCA prohibits providers from, among other things, (1) knowingly presenting or causing to be presented, claims for payments from the Medicare, Medicaid or other federal healthcare programs that are false or fraudulent; (2) knowingly making, using or causing to be made or used, a false record or statement to get a false or fraudulent claim paid or approved by the federal government; or (3) knowingly making, using or causing to be made or used, a false record or statement to avoid, decrease or conceal an obligation to pay money to the federal government. The "qui tam" or "whistleblower" provisions of the FCA allow private individuals to bring actions under the FCA on behalf of the government. These private parties are entitled to share in any amounts recovered by the government, and, as a result, the number of "whistleblower" lawsuits that have been filed against providers has increased significantly in recent years. Defendants found to be liable under the FCA may be required to pay three times the actual damages sustained by the government, plus mandatory civil penalties ranging between \$5,500 and \$11,000 for each separate false claim.

There are many potential bases for liability under the FCA. The government has used the FCA to prosecute Medicare and other government healthcare program fraud such as coding errors, billing for services not provided, and providing care that is not medically necessary or that is substandard in quality. The ACA also provides that claims submitted in connection with patient referrals that results from violations of the Anti-Kickback Statute constitute false claims for the purpose of the FCA with some courts determining that a violation of the Stark law can result in FCA liability as well. In addition, a number of states have adopted their own false claims and whistleblower provisions whereby a private party may file a civil lawsuit in state court. Following the acquisition of one or more clinics or staffing primary healthcare practitioners in the United States, we will be required to provide information to our employees and certain contractors about state and federal false claims laws and whistleblower provisions and protections.

Civil Monetary Penalties Statute

The federal Civil Monetary Penalties statute prohibits, among other things, the offering or giving of remuneration to a Medicare or Medicaid beneficiary that the person or entity knows or should know is likely to influence the beneficiary's selection of a particular provider or supplier of items or services reimbursable by a federal or state healthcare program.

Electronic Health Records

As required by the American Recovery and Reinvestment Act of 2009, the Secretary of HHS has developed and implemented an incentive payment program for eligible healthcare professionals that adopt and meaningfully use electronic health record, or EHR, technology. HHS uses the Provider Enrollment, Chain and Ownership System, or PECOS, to verify Medicare enrollment prior to making EHR incentive program payments. If our employed professionals are unable to meet the requirements for participation in the incentive payment program, including having an enrollment record in PECOS, we will not be eligible to receive incentive payments that could offset some of the costs of implementing EHR systems. Further, healthcare professionals that fail to demonstrate meaningful use of certified EHR technology are subject to reduced payments from Medicare. System conversions to comply with EHR could be time consuming and disruptive for physicians and employees. Failure to implement EHR systems effectively and in a timely manner could have a material adverse effect on our financial position and results of operations.

Following the intended acquisition, or opening, of one or more multidisciplinary primary healthcare clinics or the staffing of multidisciplinary primary healthcare clinics, affiliate clinics or eldercare centric homes with clinicians and practitioners in the United States, we will convert certain of our clinical and patient accounting information system applications to newer versions of existing applications or altogether new applications. In connection with our implementation and conversions, we will likely incur capitalized costs and additional training and implementation expenses.

Privacy and Security Requirements of Our Business Lines

Following the intended acquisition, or opening, of one or more multidisciplinary primary healthcare clinics or the staffing of multidisciplinary primary healthcare clinics, affiliate clinics or eldercare centric homes with clinicians and practitioners in the United States, numerous federal and state laws and regulations, including HIPAA and the Health Information Technology for Economic and Clinical Health Act, as amended ("HITECH") will govern the collection, dissemination, security, use and confidentiality of patient-identifiable health information. As required by HIPAA, HHS has adopted standards to protect the privacy and security of this health-related information. The HIPAA privacy regulations contain detailed requirements concerning the use and disclosure of individually identifiable health information and the grant of certain rights to patients with respect to such information by "covered entities." We believe that all or substantially all of our entities qualify as covered entities under HIPAA. We will take actions to comply with the HIPAA privacy regulations including the creation and implementation of policies and procedures, staff training, execution of HIPAA-compliant contractual arrangements with certain service providers and various other measures. Although we believe we will be in substantial compliance, ongoing implementation and oversight of these measures involves significant time, effort and expense.

In addition to the privacy requirements, HIPAA covered entities must implement certain administrative, physical, and technical security standards to protect the integrity, confidentiality and availability of certain electronic health-related information received, maintained, or transmitted by covered entities or their business associates. Although we have taken actions in an effort to be in compliance with these security regulations, a security incident that bypasses our information security systems causing an information security breach, loss of PHI, or other data subject to privacy laws or a material disruption of our operational systems could have a material adverse effect on our business, along with fines. Furthermore, ongoing implementation and oversight of these security measures involves significant time, effort and expense.

Further, HITECH, as implemented in part by an omnibus final rule published in the Federal Register on January 25, 2013, further requires that patients be notified of any unauthorized acquisition, access, use, or disclosure of their unsecured protected health information, or PHI, that compromises the privacy or security of such information. HHS has established the presumption that all unauthorized uses or disclosures of unsecured PHI constitute breaches unless the covered entity or business associate establishes there is a low probability that the information has been compromised. HITECH and implementing regulations specify that such notifications must be made without unreasonable delay and in no case later than 60 calendar days after discovery of the breach. Breaches affecting 500 patients or more must be reported immediately to HHS, which will post the name of the breaching entity on its public website. Furthermore, breaches affecting 500 patients or more in the same state or jurisdiction must also be reported to the local media. If a breach involves fewer than 500 people, the covered entity must record it in a log and notify HHS of such breaches at least annually. These breach notification requirements apply not only to unauthorized disclosures of unsecured PHI to outside third parties but also to unauthorized internal access to or use of such PHI.

The scope of the privacy and security requirements under HIPAA was substantially expanded by HITECH, which also increased penalties for violations. Penalties for violations of these laws vary. For instance, penalties for failure to comply with a requirement of HIPAA and HITECH vary significantly, and include significant civil monetary penalties and, in certain circumstances, criminal penalties with fines up to \$250,000 per violation and/or imprisonment. In addition, numerous breach incidents could lead to possible penalties in excess of \$1.68 million. A person who knowingly obtains or discloses individually identifiable health information in violation of HIPAA may face a criminal penalty of up to \$50,000 and up to one-year imprisonment. The criminal penalties increase if the wrongful conduct involves false pretenses or the intent to sell, transfer or use identifiable health information for commercial advantage, personal gain or malicious harm. The amount of penalty that may be assessed depends, in part, upon the culpability of the applicable covered entity or business associate in committing the violation. Some penalties for certain violations that were not due to "willful neglect" may be waived by the Secretary of HHS in whole or in part, to the extent that the payment of the penalty would be excessive relative to the violation. HITECH also authorized state attorneys general to file suit on behalf of residents of their states. Applicable courts may be able to award damages, costs and attorneys' fees related to violations of HIPAA in such cases. HITECH also mandates that the Secretary of HHS conduct periodic compliance audits of a cross-section of HIPAA covered entities and business associates. Every covered entity and business associate is subject to being audited, regardless of the entity's compliance record.

State laws may impose more protective privacy restrictions related to health information and may afford individuals a private right of action with respect to the violation of such laws. Both state and federal laws are subject to modification or enhancement of privacy protection at any time. We are subject to any federal or state privacy-related laws that are more restrictive than the privacy regulations issued under HIPAA. These statutes vary and could impose additional requirements on us and more severe penalties for disclosures of health information. If we fail to comply with HIPAA, similar state laws or any new laws, including laws addressing data confidentiality, security or breach notification, we could incur substantial monetary penalties and substantial damage to our reputation.

States may also impose restrictions related to the confidentiality of personal information that is not considered PHI under HIPAA, including certain identifying information and financial information of our patients. These state laws may impose additional notification requirements in the event of a breach of such personal information. Failure to comply with such data confidentiality, security and breach notification laws may result in substantial monetary penalties.

HIPAA and HITECH also include standards for common healthcare electronic transactions and code sets, such as claims information, plan eligibility and payment information. Covered entities such as the Company and each of our clinics will be required to conform to such transaction set standards.

Telemedicine Medical Technology Platform, Remote Patient Monitoring Medical Technology Platform and Novo Connect Medical Technology Platform (collectively, "Medical Technology Platforms")

Both our Telemedicine Medical Technology Platform and Remote Patient Monitoring Medical Technology Platform are operational in Canada on a limited usage basis; but are primarily in development. Our Novo Connect Medical Technology Platform is under development and limited commercialization. All of our Medical Technology Platforms are subject to governmental health care regulations in Canada including, but not limited to, the Canada Health Act. While our Medical Technology Platforms are not currently operational in the United States, once operational our Medical Technology Platforms' usage will be subject to United States laws, regulations, and directives such as, but not limited to, Medicare, Medicaid, RAC, Anti-Kick Back Statute, False Claims Act, Civil Monetary Penalties Statute, HIPAA, and HITECH. In addition, we will be subject to data privacy, security and breach notification requirements of United States federal, state, and local statutes and other data privacy and security laws.

Stark Law

Our Medical Technology Platforms, once fully operational in the United States, will provide patients with real-time access to third-party primary care medically licensed physicians, specialists, nurses and nurse practitioners in various medical disciplines as well as multidisciplinary primary care clinicians. Because we will participate through our Medical Technology Platforms in the Medicare program, we will also be subject to the Stark Law. Unlike the Fraud and Abuse Law, the Stark Law is a strict liability statute. Proof of intent to violate the Stark Law is not required. Physical therapy services are among the "designated health services". Further, the Stark Law has application to the Company's management contracts with individual physicians, physician groups, multidisciplinary primary care clinicians, as well as any other financial relationship between us and referring physicians, specialists, nurses and nurse practitioners in various medical disciplines as well as multidisciplinary primary care clinicians, including any financial transaction resulting from a clinic acquisition. The Stark Law also prohibits billing for services rendered pursuant to a prohibited referral. Several states have enacted laws like the Stark Law. These state laws may cover all (not just Medicare and Medicaid) patients. Many federal healthcare reform proposals in the past few years have attempted to expand the Stark Law to cover all patients as well. As with the Fraud and Abuse Law, we consider the Stark Law in operating our Medical Technology Platforms and intend to operate our Medical Technology Platforms in compliance with the Stark Law. If we violate the Stark Law, our financial results and operations could be adversely affected. Penalties for violations include denial of payment for the services, significant civil monetary penalties, and exclusion from the Medicare and Medicaid programs.

E-Commerce

We are subject to general business regulations and laws as well as Federal and provincial regulations and laws specifically governing the Internet and e-commerce. Existing and future laws and regulations may impede the growth of the use of the Internet, availability of economic broadband access, or other online services, and increase the cost of providing our digital delivery of content and services. These regulations and laws may cover taxation, tariffs, user privacy, data protection, pricing, content, copyrights, distribution, electronic contracts and other communications, consumer protection, broadband internet access and the characteristics and quality of services. It is not clear how existing laws which govern issues such as property ownership, sales, use and other taxes, libel and personal privacy apply to the internet and e-commerce. Unfavorable resolution of these issues may harm our business and results of operations.

Medical Cannabidiol Product Offering (Future Growth Initiative)

As discussed in the Business Growth Initiative section above, we plan to expand our business to include the cultivation, processing, and manufacturing of CBD products in Canada, and the sale and distribution of medicinal CBD products in Canada and authorized U.S. states. We expect our prospective medicinal CBD products will be specifically focused on CBD for use (i) as a treatment aid; (ii) to provide relief for a large array of neurological and musculoskeletal system disorders; and (iii) as an alternative option for health care providers in place of prescribing opioids to patients.

Offering our patients access to non-hallucinogenic and non-addictive natural remedies, under required clinical oversight policies and procedures as they relate to medicinal cannabis and medicinal CBD, combined with our existing clinic-based treatment protocols, allows us to enter this market segment with a unique integration model not readily available in the marketplace.

Cannabis Versus Hemp

While hemp and cannabis are both derived from the same species (*Cannabis sativa*), there are major differences in the characteristics of the respective plant strains that produce industrial hemp on the one hand, and cannabis products on the other. In short, hemp is a strain of the *Cannabis sativa* plant that is grown primarily for use in industrial applications. It has been specifically cultivated to produce a low tetrahydrocannabinol ("THC") content and a high cannabidiol content. THC is the psychoactive constituent of cannabis and is responsible for producing the effects of the drug. CBD is another active ingredient present in *Cannabis sativa* plants, and it largely acts to neutralize the psychoactive effects of THC. Since hemp strains have extremely low levels of THC and high levels of CBD, they do not produce psychoactive effects when ingested.

Canada

Cannabis is legal in Canada for both recreational and medicinal purposes. Medicinal use of cannabis was legalized nationwide on July 30, 2001 under conditions outlined in the Marijuana for Medical Purposes Regulations, later superseded by the Access to Cannabis for Medical Purposes Regulations, issued by Health Canada and seed, grain, and fiber production was permitted under license by Health Canada. The federal Cannabis Act came into effect on October 17, 2018 and made Canada the second country in the world to formally legalize the cultivation, possession, acquisition and consumption of cannabis and its by-products.

As set out in the Cannabis Regulations:

- Licenses are required for:
 - cultivating and processing cannabis,
 - sale of cannabis for medical purposes or recreational purposes, and
 - analytical testing of and research with cannabis.
- Permits are required to import or export:
 - cannabis for scientific or medical purposes, and
 - industrial hemp.
- License holders are subject to strict physical and personnel security requirements.
- Plain packaging is required for cannabis products.
 - The regulations set out strict requirements for logos, colors and branding.
 - Cannabis products must also be labeled with mandatory health warnings, a standardized cannabis symbol, and specific information about the product.
- Access to cannabis for medical purposes continues to be provided for patients who need it.
- Manufacturers of prescription drugs containing cannabis, while primarily subject to the Food and Drugs Act and its Regulations, are also subject to certain regulatory requirements set out in the Cannabis Regulations.

Patients authorized by their health care provider are still able to access cannabis for medical purposes by:

- buying directly from a federally licensed seller,
- registering with Health Canada to produce a limited amount of cannabis for their own medical purposes, or
- designating someone to produce it for them.

Under the new regulations, there are improvements for patients accessing cannabis for medical purposes from federally licensed sellers. These improvements include:

- the ability to request the return of their medical document from a federally licensed seller,
- the ability to request the transfer of their medical document to a different federally licensed seller,
- that the effective date on the registration document will be the day it is issued, rather than the day the medical document was signed by the health care provider,
- removal of the 30-day limitation period for buying cannabis from a federally licensed seller (to ensure no break in a patient's supply),
- a broader range of permitted products, and
- access to an increasing number of licensed producers and sellers (Health Canada has licensed more producers in the last year than in the four previous years combined), which enables:
 - competitive prices,
 - more supply of cannabis, and
 - an increased availability of a range of products.

United States

Until 2014, when 7 U.S. Code §5940 became federal law as part of the Agricultural Act of 2014 (the “2014 Farm Act”), products containing oils derived from hemp, notwithstanding a minimal or non-existing THC content, were classified as Schedule I illegal drugs. The 2014 Farm Act expired on September 30, 2018, and was thereafter replaced by the Agricultural Improvement Act of 2018 on December 20, 2018 (the “2018 Farm Act”), which amended various sections of the U.S. Code, thereby removing hemp, defined as cannabis with less than 0.3% of THC, from Schedule 1 status under the Controlled Substances Act (“CSA”), and legalizing the cultivation and sale of hemp at the federal level, subject to compliance with certain federal requirements and state law, amongst other things. THC is the psychoactive component of plants in the cannabis family generally identified as marihuana or marijuana. We anticipate that our prospective medicinal CBD products will be federally legal in the United States in that they will contain less than 0.3% of THC in compliance with the 2018 Farm Bill guidelines and will have no psychoactive effects on our patients’ and customers’ bodies. Notwithstanding, there is no assurance that the 2018 Farm Act will not be repealed or amended such that our prospective products containing hemp-derived CBD would once again be deemed illegal under federal law.

The 2018 Farm Bill also shifted regulatory authority from the Drug Enforcement Administration’s (“FDA”) oversight authority over CBD products. The 2018 Farm Act delegated the authority to the states to regulate and limit the production of hemp and hemp derived products within their territories. Although many states have adopted laws and regulations that allow for the production and sale of hemp and hemp derived products under certain circumstances, no assurance can be given that such state laws may not be repealed or amended such that our intended products containing hemp-derived CBD would once again be deemed illegal under the laws of one or more states now permitting such products, which in turn would render such intended products illegal in those states under federal law even if the federal law is unchanged. In the event of either repeal of federal or of state laws and regulations, or of amendments thereto that are adverse to our prospective medical CBD products, we may be restricted or limited with respect to those products that we may sell or distribute, which could adversely impact our intended business plan with respect to such intended products.

Additionally, the FDA has indicated its view that certain types of products containing CBD may not be permissible under the United States Federal Food, Drug and Cosmetic Act (“FDCA”). The FDA’s position is related to its approval of Epidiolex, a marijuana-derived prescription medicine to be available in the United States. The active ingredient in Epidiolex is CBD. On December 20, 2018, after the passage of the 2018 Farm Bill, FDA Commissioner Scott Gottlieb issued a statement in which he reiterated the FDA’s position that, among other things, the FDA requires a cannabis product (hemp-derived or otherwise) that is marketed with a claim of therapeutic benefit, or with any other disease claim, to be approved by the FDA for its intended use before it may be introduced into interstate commerce and that the FDCA prohibits introducing into interstate commerce food products containing added CBD, and marketing products containing CBD as a dietary supplement, regardless of whether the substances are hemp-derived. Although we believe our prospective medicinal CBD product offering will comply with applicable federal and state laws and regulations, legal proceedings alleging violations of such laws could have a material adverse effect on our business, financial condition and results of operations.

We do not intend to offer and we do not intend to compete with companies that offer cannabis products containing high levels of psychoactive THC. Although legal in some states, and in Canada, we do not intend to enter into this market. We may offer prospective medicinal CBD (hemp-based) products to patients and customers but will not compete with any medical or recreational marijuana sellers of products for high THC content sales due to legal and regulatory restrictions and uncertainty in the United States. Because of regulatory challenges facing marijuana companies in the United States, the vast majority of the companies focused on THC are Canadian and foreign, although several have begun to pursue domestic activities in states that permit marijuana sales. Federal law does not generally recognize marijuana (or hemp that exceeds 0.3% THC) as lawful, although that may change in the future.

Corporate History

Novo Integrated Sciences, Inc. was incorporated in Delaware on November 27, 2000, under the name Turbine Truck Engines, Inc. On February 20, 2008, Novo Integrated was re-domiciled to the State of Nevada. Effective July 12, 2017, the Company's name was changed to Novo Integrated Sciences, Inc.

Since inception and through May 9, 2017, our activities and business operations were limited to raising capital, organizational matters and the implementation of our business plan related to research, development, testing and commercialization of various alternative energy technologies.

On September 5, 2013, NHL was incorporated under the laws of Ontario province Canada. On September 16, 2013, Novo Assessments Inc., Novo Community Care Inc, and Novo Healthnet Rehab Limited were formed, under the laws of Ontario province Canada, as wholly owned subsidiaries of NHL. On September 20, 2013, Novo Community Care Inc.'s name was changed to Novo Peak Health Inc. On September 30, 2013, NHL acquired substantially all the assets of the following operational Ontario Canada based entities, (i) Peak Health LTC Inc.; (ii) ICC Healthnet Canada Inc. and its related companies; and (iii) Michael Gaynor Physiotherapy Professional Corporation, operating as Back on Track. On November 18, 2014, Novo Healthnet Kemptville Centre, Inc., was formed under the laws of Ontario province Canada, with NHL owning an 80% interest. On April 1, 2017, NHL purchased substantially all of the assets of APKA Health, an occupational therapy entity operating in Ontario province Canada.

Acquisition of Novo Healthnet Limited

On April 25, 2017 (the "Effective Date"), the Company entered into a Share Exchange Agreement (the "Share Exchange Agreement") by and between (i) the Company; (ii) NHL; (iii) ALMC-ASAP Holdings Inc. ("ALMC"); (iv) Michael Gaynor Family Trust (the "MGFT"); (v) 1218814 Ontario Inc. ("1218814"); and (vi) Michael Gaynor Physiotherapy Professional Corp.; and collectively ALMC, MGFT and 1218814 herein referred to as "the NHL Shareholders"). Pursuant to the terms of the Share Exchange Agreement, the Company agreed to acquire, from the NHL Shareholders, all of the shares of both common and preferred stock of NHL, held by the NHL Shareholders, in exchange for the issuance by the Company, to the NHL Shareholders, shares of the Company's common stock, such that following the closing of the Share Exchange Agreement, the NHL Shareholders would own 16,779,741 restricted shares of Company common stock, representing 85% of the issued and outstanding Company common stock, calculated including all granted and issued options or warrants to acquire the Company common stock as of the Effective Date, but to exclude shares of Company common stock that are subject to a then-current Regulation S Offering that was undertaking by the Company (the "Exchange").

On May 9, 2017, the Exchange closed and, as a result, NHL became a wholly owned subsidiary of Novo Integrated Sciences, Inc.

Acquisition of Executive Fitness Leaders

On December 1, 2017, the Company, NHL and Executive Fitness Leaders, located in Ottawa Ontario Canada, entered into an Asset Purchase Agreement, pursuant to which NHL acquired substantially all of the assets of Executive Fitness Leaders in exchange for the issuance, by the Company, of 38,411 restricted shares of its common stock.

Formation of Novomerica Health Group, Inc. in U.S.

On November 3, 2017, Novomerica Health Group, Inc. was incorporated, under the laws of the state of Nevada, as a wholly owned subsidiary of Novo Integrated Sciences, Inc. for the purpose of expanding the Company's operations into the United States.

Novo Peak Health Inc. Amalgamated with NHL

On September 25, 2018, Novo Peak Health, Inc. was amalgamated with Novo Healthnet Limited.

Assignment of Joint Venture Agreement

On January 7, 2019, 2478659 Ontario Ltd. ("247") and Kainai Cooperative ("Kainai") entered into a Joint Venture Agreement (the "Joint Venture Agreement") for the purpose of developing, managing and arranging for financing of greenhouse and farming projects involving hemp and cannabis cash crops on Kainai related lands, and developing additional infrastructure projects creating jobs and food supply to local communities. On January 8, 2019, we and 247 entered into an Agreement of Transfer and Assignment, pursuant to which 247 agreed to sell, assign and transfer to the Company all rights, contracts, contacts and any and all other assets related in any way to the Joint Venture Agreement. Pursuant to the terms of the Joint Venture Agreement, as assigned to us, the parties will work in a joint venture relationship with the Company providing the finance, development and operation of the project, including sales, and Kainai providing the land and approvals for the development of the projects.

The joint venture will distribute to the Company and Kainai all net proceeds after debt and principal servicing and repayment allocation, as well as operating capital allotment, on a ratio equal to 80% to the Company and 20% to Kainai.

The Joint Venture Agreement has an initial term of 50 years and Kainai may renew the Joint Venture Agreement within five years of the expiry of the initial term upon mutual agreement.

On January 30, 2019, pursuant to the terms of the Joint Venture Agreement, the Company issued 1,200,000 restricted common shares to 247 with a value of \$21,600,000.

Acquisition of Societe Professionnelle de Physiotherapie M Dignard, carrying on business as Action Plus Physiotherapy Rockland

On July 22, 2019, the Company and Societe Professionnelle de Physiotherapie M Dignard, carrying on business as Action Plus Physiotherapy Rockland and providing physiotherapy and related ancillary services ("APPR"), entered into an Asset Purchase Agreement ("APA") pursuant to which APPR agreed to sell, assign and transfer to the Company, free and clear of all encumbrances, other than permitted encumbrances, and the Company agreed to purchase from APPR all of APPR's right, title and interest in and to all of its assets, with the exception of certain limited exclusions, and the rights, privileges, claims and properties of any kind whatsoever that are related thereto, whether owned or leased, real or personal, tangible or intangible, of every kind and description and wheresoever situated.

Pursuant to the terms of the APA, the purchase price is determined as six times APPR's purported EBITDA, equaling CAD\$300,000, of which, APPR (1) received a cash payment of CAD\$175,000; and (2) was issued CAD\$125,000 worth of the Company's common stock, par value \$0.001, as restricted common shares pursuant to an exemption from registration as set forth in Regulation S under the Securities Act of 1933, as amended (the "Securities Act"). Pursuant to the terms of the APA, APPR was issued 8,456 restricted common shares of the Company's common stock as consideration for the CAD\$125,000 payment owed to APPR. On the business day immediately preceding the closing date of the APA, determined as July 19, 2019, the CAD-to-USD conversion rate, per x-rates.com, was 0.7644 which converts CAD\$125,000 to \$95,550 rounded to the nearest whole number dollar amount. Based on the determined 30-trading day closing average price per share of \$11.30, the calculated number of the Company's restricted common shares issued to APPR was 8,456, which includes rounding the calculation up to the nearest whole number of shares.

The transaction closed on July 22, 2019. The purchase of these assets was not considered significant for accounting purposes; therefore, pro forma financial statements were not presented.

Intellectual Property Asset Purchase Agreement

On December 17, 2019, the Company entered into that certain Intellectual Property Asset Purchase Agreement (the "APA") by and between the Company and 2731861 Ontario Corp. (the "Seller"), pursuant to which the Company agreed to purchase, and Seller agreed to sell (the "Acquisition"), proprietary designs for an innovative cannabis dosing device, in addition to designs, plans, procedures, and all other material pertaining to the application, construction, operation, and marketing of a cannabis business under the regulations of Health Canada (the "Intellectual Property"). Pursuant to the terms of the APA, the purchase price of the Intellectual Property is 800,000 shares of restricted common stock of the Company. The Acquisition closed on December 17, 2019.

Joint Venture Agreement

On December 19, 2019, the Company entered into that certain Joint Venture Agreement (the “JV Agreement”) between the Company and Harvest Gold Farms Inc. (“HGF”) relating to the development, management and arrangement of medicinal farming projects involving hemp and cannabis cash crops (the “Project”). Pursuant to the terms of the JV Agreement, the parties agreed to work in a joint venture relationship, with the Company providing the development and operation of the Project, including sales, and HGF providing the land, farming expertise, biomass and necessary approvals for the development of the Project.

The initial term of the JV Agreement will, unless sooner terminated by consent of all parties, expire in five years from the effective date of the JV Agreement. The Company and HGF may renew the JV Agreement within two years of the expiration of the initial term upon mutual understanding.

Each of the parties agreed to contribute to the start-up of the joint venture (the “JV”) as follows:

● The Company:

- Complete and finalize a business plan and layout plans, a detailed procurement project binder and an implementation and roll-out plan.
- Make arrangements for construction and financing options of any facilities required for the profitable farming of medicinal crops or related facilities.
- Direct project finance model and selection of engineering, procurement, construction contracts and management service providers.
- Arrange for product purchase contracts.

● HGF:

- Provide the land and approvals for greenhouse (if necessary), open field farming and other facilities as required.
- Arrange for all required titled land for greenhouses and outdoor agriculture platforms.
- Arrange for all building permits, environmental approvals and HGF internal approvals including confirmation of tax-free JV status for the duration of the proposal (if possible).
- Provide elite farming expertise for the purposes of maximizing potential profits, inclusive of harvesting techniques and process flow and engineering.

Pursuant to the terms of the JV Agreement, the Company agreed to maintain all financial records (in U.S. GAAP) of the JV, to provide quarterly and annual reporting to all JV stakeholders, and to assign and direct operational staff from onset to agreement termination. The Company agreed to pay HGF 30% of net JV income on an annual basis commencing 12 months after the first full 12-month revenue period, and to purchase product from the JV at a price of cost plus 5%.

In addition, the Company agreed to issue 200,000 shares of Company common stock upon achievement of \$25,000,000 of net profit by the JV each fiscal year. Such common stock will be delivered to HGF via Novo Healthnet Limited exchangeable preferred shares. Any Company common stock issued to HGF will be subject to pro-rata adjustment in the event that the Company approves, prior to the issuance date, any forward stock split, reverse stock split or other capitalization restructure.

HGF agreed, among other things, to grow medicinal agriculture crop at the highest standard, subject to independent third party biomass testing, in the most profitable manner while maintaining the standards of excellence required to maintain elite status, and to provide a minimum of 7,000 acres for the Primary Project. All staffing, including but not limited to, management, specialized or general labor requirements for farming will be the sole responsibility of HGF.

Asset Purchase Agreement to Acquire Generic Primary and Sub-primary Drug Formulations

On December 11, 2020, the Company and 2794512 Ontario Ltd., an Ontario Canada corporation, entered into an Asset Purchase Agreement pursuant to which the Company acquired generic primary and sub-primary drug formulations (known as bioequivalence) of name brand pharmaceutical reference products related to usage as injectables, ophthalmic, and topical applications. In consideration, the Company issued 240,000 restricted shares of common stock that were valued at \$876,000.

Acquisition of PRO-DIP, LLC

On May 24, 2021, the Company completed the acquisition of PRO-DIP, a New York state limited liability company in the business of providing nutritional oral energy and medicinal supplement pouches through a proprietary process, under the terms and conditions of a Share Exchange Agreement, dated May 11, 2021, resulting in PRO-DIP being a wholly owned subsidiary of the Company. The Company issued 189,796 restricted shares of common stock and \$10,000 in cash as full consideration for the transaction.

Acquisition of Acenzia Inc.

On May 28, 2021, the Company and NHL entered into a Share Exchange Agreement (the “ACZ SEA”) by and among the Company and NHL, on the one hand, and Acenzia Inc., Avec8 Holdings Inc., Amour Holdings Inc., Indrajit Sinha, Grant Bourdeau and Derrick Bourdeau, on the other hand (collectively the “ACZ Shareholders”). On June 24, 2021, pursuant to the terms of the ACZ SEA, the acquisition of Acenzia by NHL closed. The closing purchase price may be adjusted within 90 days of the closing date pending completion of an audit and working capital requirement provisions (the “Post-Closing Purchase Price Adjustment”). On October 22, 2021, the parties (i) set the final Purchase Price, as determined by the Post-Closing Purchase Price Adjustment, at a value of \$14,162,795, and (ii) agreed to the issuance of that number of NHL Exchangeable Shares (as defined in the ACZ SEA) exchangeable into 3,622,199 restricted shares of Company common stock at an agreed upon price of \$3.91 allotted for the ACZ Shareholders as provided for in the ACZ SEA. The price of the Company’s common stock on the closing date was \$2.55; therefore the purchase price for accounting purposes was \$9,236,607.

Joint Venture Agreement with EK-Tech Solutions Inc. to Form MiTelemed+ Inc.

On October 8, 2021, the Company and NHL completed a Joint Venture Agreement (the “MiTelemed+ JV”) with EK-Tech Solutions Inc. (“EK-Tech”) to establish the joint venture company MiTelemed+ Inc., an Ontario province Canada corporation (“MiTelemed+”), to operate, support, and expand access and functionality of EK-Tech’s enhanced proprietary Telehealth platform. At closing, EK-Tech contributed all intellectual property, source code, and core data of the iTelemed platform, valued at CAD\$1,500,000, and NHL issued to EK-Tech, non-voting NHL Exchangeable Special Shares, free and clear of all liens and encumbrances, which are issued solely for the purpose of EK-Tech to exchange, for 185,000 restricted shares of Company’s common stock solely upon EK-Tech meeting terms and conditions for exchange of the NHL Exchangeable Special Shares as defined in the MiTelemed+ JV. Additionally, MiTelemed+ is contracted with EK-Tech to operate, maintain, support, provide software hosting, and for further development of iTelemed’s capabilities. NHL is responsible for global commercialization as well as fulfilling all administrative functions for the JV. The net profits and net losses of the JV will be split 50/50 between NHL and EK-Tech.

Terragenx Share Exchange

On November 17, 2021, the Company and NHL entered into that certain Share Exchange Agreement (the “Terra SEA”), dated as of November 17, 2021, by and among the Company, NHL, Terragenx Inc. (“Terra”), TMS Inc. (“TMS”), Shawn Mullins, Claude Fournier, and The Coles Optimum Health and Vitality Trust (“COHV” and collectively with TMS, Mr. Mullins and Mr. Fournier, the “Terra Shareholders”). Collectively, the Terra Shareholders own 91% of the outstanding shares of Terra (the “Terra Purchased Shares”).

Pursuant to the terms of the Terra SEA, NHL agreed to purchase from the Terra Shareholders, and the Terra Shareholders agreed to sell to NHL, the Terra Purchased Shares on the closing date, in exchange for payment by NHL of the purchase price (the "Purchase Price") of CAD\$500,000 (approximately \$398,050) (the "Exchange"). The Purchase Price was to be paid with the issuance, by NHL to the Terra Shareholders, of certain non-voting NHL special shares exchangeable into restricted shares of the Company's common stock (the "NHL Exchangeable Shares"). The total shares of Company common stock allotted in favor of the Terra Shareholders was calculated at a per share price of \$3.35.

The Exchange closed on November 17, 2021. At the closing of the Exchange, (i) the Terra Shareholders transferred to NHL a total of 910 shares of Terra common stock, representing 91% of Terra's outstanding shares, and (ii) a total of 100 NHL Exchangeable Shares were issued to the Terra Shareholders, which NHL Exchangeable Shares are exchangeable into a total of 118,821 restricted shares of the Company's common stock. As a result of the Exchange, NHL has 91% ownership of Terra and full control of the Terra business.

The Terra SEA contains customary representations, warranties and closing conditions.

Mullins Asset Purchase Agreement

On November 17, 2021, the Company entered into that certain Asset Purchase Agreement (the "Mullins APA"), dated as of November 17, 2021, by and between the Company and Terence Mullins. Pursuant to the terms of the Mullins APA, Mr. Mullins agreed to sell, and the Company agreed to purchase, all of Mr. Mullins' right, title and interest in and to certain assets directly and indirectly related to any and all iodine-based related products and technologies as specified in the Mullins APA (the "Mullins IP Assets"), in exchange for a purchase price of CAD\$2,500,000 (approximately \$1,990,250) which is to be paid as follows:

- (a) CAD\$2,000,000 (approximately \$1,592,200) is to be issued or allotted to Mr. Mullins only after patent-pending status, in the U.S. or internationally, is designated for all Mullins IP Assets (the "Mullins IP Assets CAD\$2m Shares"), as either restricted shares of Company common stock or NHL Exchangeable Shares, as determined by Mr. Mullins. Once issued or allotted, the Mullins IP Assets CAD \$2m Shares will be held in escrow pending registration and approval for all Mullins IP Assets, and
- (b) CAD\$500,000 (approximately \$398,050) is to be issued in the form of 118,821 restricted shares of Company common stock, free and clear of all liens, pledges, encumbrances, charges, or known claims of any kind, nature, or description, upon closing of the Mullins APA

All shares issued or allotted under the terms and conditions of the Mullins APA are calculated at a value of \$3.35 per share.

In addition, the Company will pay a royalty equal to 10% of net revenue (net profit) of all iodine related sales reported through the Company or any of its wholly owned subsidiaries for a period equal to the commercial validity of the intellectual property.

The Mullins APA includes customary representations and warranties and closing conditions.

Share Exchange Agreement to Acquire 50.1% of 12858461 Canada Corp.

On March 1, 2022, the Company and NHL completed a Share Exchange Agreement (the "1285 SEA") with 12858461 Canada Corp. ("1285"), a Canada federal corporation in the business of providing clinic-based physiotherapy and related ancillary services and products, and Prashant A. Jani, a Canadian citizen and sole shareholder of 1285 (the "1285 Shareholder") to acquire 50.1% ownership of 1285 for a purchase price of \$68,000 (the "1285 Purchase Price") paid with the issuance, by NHL to the 1285 Shareholder, of certain non-voting NHL Exchangeable Special Shares which can only be utilized for the purpose of exchange into an allotment of 17,000 restricted shares of the Company's common stock (the "Parent 1285 SEA Shares") at the determination of the 1285 Shareholder. The number of Parent 1285 SEA Shares was calculated by dividing the 1285 Purchase Price by \$4.00 per share.

Asset Purchase Agreement with Poling Taddeo Hovius Physiotherapy Professional Corp., operating as Fairway Physiotherapy and Sports Injury Clinic

On March 1, 2022, the Company and NHL completed an Asset Purchase Agreement (the “PTHPC APA”) with Poling Taddeo Hovius Physiotherapy Professional Corp. (“PTHPC”), operating a clinic-based physiotherapy, rehabilitative, and related ancillary services and products business known as Fairway Physiotherapy and Sports Injury Clinic (“FAIR”), and Jason Taddeo, a Canadian citizen and the sole shareholder of PTHPC (the “PTHPC Shareholder”), Under the terms and conditions of the PTHPC APA, PTHPC agreed to sell, assign and transfer to NHL, free and clear of all encumbrances, other than permitted encumbrances, and NHL agreed to purchase from PTHPC all of PTHPC’s right, title and interest in and to all of its assets related to FAIR and the FAIR Business, with the exception of certain limited exclusions, and the rights, privileges, claims and properties of any kind whatsoever that are related thereto, whether owned or leased, real or personal, tangible or intangible, of every kind and description and wheresoever situated. Under the terms and conditions of the PTHPC APA, the purchase price is \$627,000 (the “FAIR Purchase Price”) paid with the issuance, by NHL to the PTHPC Shareholder, of certain non-voting NHL Exchangeable Special Shares which can only be utilized for the purpose of exchange into an allotment of 156,750 restricted shares of the Company’s common stock (the “Parent PTHPC APA Shares”) at the determination of the PTHPC Shareholder. The number of Parent PTHPC APA Shares was calculated by dividing the FAIR Purchase Price by \$4.00 per share.

Membership Interest Purchase Agreement with Clinical Consultants International LLC

On March 17, 2022, the Company entered into a Membership Interest Purchase Agreement (the “CCI Agreement”) by and among the Company, Clinical Consultants International LLC (“CCI”), each of the members of CCI (the “Members”), and Dr. Joseph Chalil as the representative of the Members.

Pursuant to the terms of the CCI Agreement, among other things, the CCI Members will sell and assign to the Company all of their membership interests of CCI, in exchange for a total of 800,000 restricted shares of the Company’s common stock (the “Exchange Shares”) (“CCI Acquisition”). The Exchange Shares will be apportioned among the Members pro rata based on their respective membership interest ownership percentage of CCI. Following the closing of the CCI Acquisition (the “Closing”), the Company will own 100% of the issued and outstanding membership interests of CCI, and the CCI Members or their designees will collectively own 800,000 restricted shares of the Company’s common stock. The restricted shares were issued on April 7, 2022.

This CCI Acquisition was accounted for as an asset acquisition, as substantially all of the fair value of the assets being acquired under the arrangement was concentrated in the customer. Accordingly, the \$1,704,000 purchase price was primarily allocated to the customer relationships intangible asset, for \$1,701,814, and amortized over an estimated useful life of 5 years. The remaining purchase price was allocated to cash and cash equivalents.

Pursuant to the terms of the CCI Agreement, the Company agreed to (i) name, at the Closing, Dr. Chalil as the Chief Medical Officer of the Company and the President of Novomerica Healthcare Group, Inc., which is a wholly owned subsidiary of the Company, (ii) enter into an employment agreement with Dr. Chalil, and (iii) name Dr. Chalil to the Company’s Board of Directors.

The CCI Agreement may be terminated under certain customary and limited circumstances prior to the Closing, including by either party if the conditions to Closing of an opposing party have not been satisfied or waived by the applicable party on or prior to April 15, 2022. The CCI Acquisition closed on April 5, 2022. See “—Closing of CCI Acquisition” below.

On April 5, 2022, the CCI Acquisition closed. As a result, immediately after the Closing on April 5, 2022, the Company owned 100% of the issued and outstanding membership interests of CCI. On April 7, 2022, the Company issued an aggregate of 800,000 restricted shares of the Company’s common stock to the Members in connection with the CCI Acquisition and pursuant to the terms of the CCI Agreement.

ITEM 1A. RISK FACTORS

Our business is subject to numerous risks and uncertainties. These risks represent challenges to the successful implementation of our strategy and to the growth and future profitability of our business. These risks include, but are not limited to, the following:

- We have a history of operating losses;
- We may not be able to implement successfully our growing multidisciplinary primary health care business by opening and acquiring new clinics and expanding the staffing of multidisciplinary primary health care clinicians to affiliate clinics and eldercare centric homes;
- Public health epidemics or outbreaks (such as the novel strain of coronavirus (COVID-19)) could adversely impact our business;
- We may not be able to increase our market share in existing eldercare services, occupational therapy services, physiotherapy services and speech language pathology services through network affiliation growth and new contracts;
- We may be unable to attract sufficient demand for and obtain acceptance of our multidisciplinary primary health care services and our medical cannabidiol products by both multidisciplinary primary health care clinicians and patients;
- The clinics that we acquire or open may not meet our expectations;
- If we open new clinics in existing markets, revenue at our existing clinics may be affected negatively;
- The multidisciplinary primary health care market is highly competitive, including competition for patients, strategic relationships, and commercial payor contracts, each of which could adversely affect our contract and revenue base;
- We may be unable to obtain reimbursement for our multidisciplinary primary health care services from the government or third-party health care insurers of our patients;
- We may not be able to successfully make acceptable financial arrangements for patients who desire treatment but cannot afford to pay in full or part, and for whom third-party insurance coverage is either limited or non-existent;
- Prospective patients may be unwilling to pay out-of-pocket for certain of our multidisciplinary primary health care and primary care services, in the absence of reimbursement from the government or third-party health care insurers for such multidisciplinary primary health care and services;
- The success of alternative treatments, therapies and medical products as opposed to the multidisciplinary primary health care services, therapies and prospective medical CBD products that we might offer in the future could adversely affect us;
- We may not be able to recruit and retain qualified multidisciplinary primary health care clinicians for our multidisciplinary primary health care clinics and staffing of affiliate clinics and eldercare centric homes;
- We may not be able to prohibit or limit our multidisciplinary primary health care clinicians from competing with us in our local markets;
- We may be unable to enter into or maintain contracts for our multidisciplinary primary health care services on favorable terms with commercial payors in Canada and the United States;
- Government health care programs may reduce reimbursement rates;
- The health care industry is heavily regulated, and if we fail to comply with these laws and governmental regulations, we could incur penalties or be required to make significant changes to our operations;
- Our multidisciplinary primary health care clinics are and will be subject to numerous statutes and regulations in the Canadian provinces in which we operate or intend to operate and states in the United States in which we intend to operate. Failure to comply with these laws and regulations could result in civil or criminal sanctions;
- Past and future health care reform legislation and other changes in the health care industry could adversely affect our business, financial condition and results of operations;

- We are subject to the Canada Health Act, Canada's National Health Insurance Program and Food and Drugs Act and analogous provisions of applicable federal, provincial, state and local laws and could face substantial penalties if we fail to comply with such laws;
- If the Company acquires one or more multidisciplinary primary health care clinics or primary care facilities in the United States, we will be subject to the Anti-Kickback Statute, FCA, Civil Monetary Penalties statute and analogous provisions of applicable state laws and could face substantial penalties if we fail to comply with such laws;
- We will be subject to the data privacy, security and breach notification requirements of Canadian and United States federal statutes and other data privacy and security laws, and the failure to comply with these rules, or allegations that we have failed to do so, could result in civil or criminal sanctions;
- Our Telemedicine Medical Technology Platform is currently in early-stage roll-out and we may be unsuccessful in the commercialization of the Telemedicine Medical Technology Platform;
- Our success with the Telemedicine Medical Technology Platform will highly be dependent upon our ability to develop relationships with primary care physicians, specialists and clinicians;
- Our Telemedicine Medical Technology Platform may not be accepted in the marketplace;
- Our Remote Patient Monitoring Medical Technology Platform is currently in early-stage roll-out and development and we may be unsuccessful in the commercialization of the RPM platform;
- Our success with the Remote Patient Monitoring Medical Technology Platform will highly be dependent upon our ability to develop relationships with primary care physicians and specialists;
- Our Remote Patient Monitoring Medical Technology Platform may not be accepted in the marketplace;
- Our Novo Connect Medical Technology Platform is currently in early-stage roll-out and development and we may be unsuccessful in the commercialization of the Novo Connect Medical Technology Platform;
- Our success with the Novo Connect Medical Technology Platform will highly be dependent upon our ability to develop relationships with primary care physicians and specialists;
- Our Novo Connect Medical Technology Platform may not be accepted in the marketplace;
- Government regulation of the internet and e-commerce is evolving, and unfavorable changes could substantially harm our business and results of operations;
- We may be unable to attract sufficient demand for and obtain acceptance of our medical CBD products by both multidisciplinary primary health care clinicians and patients;
- Possible yet unanticipated changes in federal and state law could cause any products that we intend to launch, containing hemp-derived CBD oil to be illegal, or could otherwise prohibit, limit or restrict any of our products containing CBD;
- Risks associated with the CBD products industry;
- FDA regulation could negatively affect the hemp industry, which would directly affect our financial condition;
- Sources of hemp-derived CBD depend upon legality of cultivation, processing, marketing, and sales of products derived from those plants under state law of the United States;

- Because our distributors may only sell and ship our products containing hemp-derived CBD in states that have adopted laws and regulations qualifying under the 2018 Farm Act, a reduction in the number of states having such qualifying laws and regulations could limit, restrict or otherwise preclude the sale of intended products containing hemp-derived CBD;
- There may be unanticipated delays in the development and introduction of our prospective medicinal CBD products and/or our inability to control costs;
- If needed, we may be unable to consistently retain or hire third-party manufacturers, suppliers, or other service providers to produce our prospective medicinal CBD products;
- We do not have control over all third parties involved in the manufacturing of our products and their compliance with government health and safety standards. Even if our products meet these standards, they could otherwise become contaminated;
- The sale of our products involves product liability and related risks that could expose us to significant insurance and loss expenses;
- Confusion between legal CBD and illegal cannabis;
- Seasonal fluctuations in revenue;
- Our failure to promote and maintain a strong brand;
- Failure to achieve or sustain profitability;
- Our failure to successfully or cost-effectively manage our marketing efforts and channels, and the failure of such efforts and channels to be effective in generating leads and business for the Company or any of its affiliated providers;
- Significant competition;
- Adequate protection of confidential information;
- The business risks of United States and international operations;
- Our vulnerability to changes in consumer preferences and economic conditions;
- Potential litigation from competitors and health related claims from patients and customers;
- A limited market for our common stock;
- Our ability to adequately protect the intellectual property used to produce our prospective medicinal CBD products; and
- Our ability to stay abreast of modified or new laws and regulations applying to our business.

History of operating losses and negative cash flow.

For the fiscal years ended August 31, 2022 and 2021, we reported net losses attributed to Novo Integrated Sciences of \$32,849,215 and \$4,462,147, respectively, and negative cash flow from operating activities of \$5,884,145 and \$1,024,802, respectively. As of August 31, 2022, we had an aggregate accumulated deficit of \$53,818,489.

Such losses have historically required us to seek additional funding through the issuance of debt or equity securities. Our long-term success is dependent upon among other things, achieving positive cash flows from operations and if necessary, augmenting such cash flows using external resources to satisfy our cash needs. There can be no assurance that we will be able to obtain additional funding, if needed, on commercially reasonable terms, or of all.

Our consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. These adjustments would likely include substantial impairment of the carrying amount of our assets and potential contingent liabilities that may arise if we are unable to fulfill various operational commitments. In addition, the value of our securities would be greatly impaired. Our long-term success is dependent upon generating sufficient cash flow from operations and obtaining additional capital and financing. If our ability to generate cash flow from operations is delayed or reduced and we are unable to raise additional funding from other sources, we may be unable to continue in business.

Novo Integrated Sciences, Inc. is a parent company and depends upon our subsidiaries for our cash flows.

We are a parent company. All of our operations are conducted, and some of our assets are owned, by our subsidiaries. Consequently, our cash flows and our ability to meet our obligations depend upon the cash flows of our subsidiaries and the payment of funds by these subsidiaries to us in the form of dividends, distributions or otherwise. The ability of our subsidiaries to make any payments to us depends on their earnings, the terms of their indebtedness, including the terms of any credit facilities and legal restrictions. Any failure to receive dividends or distributions from our subsidiaries when needed could have a material adverse effect on our business, results of operations or financial condition.

Future acquisitions or strategic investments could disrupt our business and harm our business, results of operations or financial condition.

We may in the future explore potential acquisitions of companies or strategic investments to strengthen our business. Even if we identify an appropriate acquisition candidate, we may not be successful in negotiating the terms or financing of the acquisition, and our due diligence may fail to identify all of the problems, liabilities or other shortcomings or challenges of an acquired business.

Acquisitions involve numerous risks, any of which could harm our business, including:

- straining our financial resources to acquire a company;
- anticipated benefits may not materialize as rapidly as we expect, or at all;
- diversion of management time and focus from operating our business to address acquisition integration challenges;
- retention of employees from the acquired company;
- cultural challenges associated with integrating employees from the acquired company into our organization;
- integration of the acquired company's accounting, management information, human resources and other administrative systems;
- the need to implement or improve controls, procedures and policies at a business that prior to the acquisition may have lacked effective controls, procedures and policies; and
- litigation or other claims in connection with the acquired company, including claims from terminated employees, former stockholders or other third parties.

Failure to appropriately mitigate these risks or other issues related to such strategic investments and acquisitions could result in reducing or eliminating any anticipated benefits of transactions and harm our business generally. Future acquisitions could also result in dilutive issuances of our equity securities, the incurrence of debt, contingent liabilities, amortization expenses or the impairment of goodwill, any of which could have a material adverse effect on business, results of operations or financial condition.

We may require additional funding for our growth plans, and such funding may result in a dilution of your investment.

We have estimated our funding requirements in order to implement our growth plans. If the costs of implementing such plans should exceed these estimates significantly or if we come across opportunities to grow through expansion plans which cannot be predicted at this time, and our funds generated from our operations prove insufficient for such purposes, we may need to raise additional funds to meet these funding requirements.

These additional funds may be raised by issuing equity or debt securities or by borrowing from banks or other resources. We cannot assure you that we will be able to obtain any additional financing on terms that are acceptable to us, or at all. If we fail to obtain additional financing on terms that are acceptable to us, we will not be able to implement such plans fully if at all. Such financing even if obtained, may be accompanied by conditions that limit our ability to pay dividends or require us to seek lenders' consent for payment of dividends, or restrict our freedom to operate our business by requiring lender's consent for certain corporate actions.

Further, if we raise additional funds by way of a rights offering or through the issuance of new shares, any shareholders who are unable or unwilling to participate in such an additional round of fund raising may suffer dilution in their investment.

Most of our executive officers do not reside in the United State.

Our U.S. stockholders would face difficulty in:

- Effecting service of process within the United States on most of our executive officers, if considered necessary.
- Enforcing judgments obtained in U.S. courts based on the civil liability provisions of the U.S. federal securities laws against the executive officers.
- Enforcing judgments of U.S. courts based on civil liability provisions of U.S. federal securities laws in foreign courts against the executive officers.
- Bringing an original action in foreign courts to enforce liabilities based on the U.S. federal securities laws against the executive officers.

Accordingly, persons contemplating an investment in our common stock should seriously consider these factors before making an investment decision.

Our future success depends on the continuing efforts of our key employees and our ability to attract, hire, retain and motivate highly skilled and creative employees in the future.

Our future success depends on the continuing efforts of our executive officers, our founders and other key employees, in particular Robert Mattacchione, our Chief Executive Officer, Christopher David, our Chief Operating Officer/President and Jim Zsebok, our Principal Financial Officer. We rely on the leadership, knowledge and experience that our executive officers, founders and key employees provide. They foster our corporate culture, which we believe has been instrumental to our ability to attract and retain new talent. Any failure to attract new or retain key creative talent could have a material adverse effect on our business, financial condition, and results of operations.

The market for talent in our key areas of operations is intensely competitive, which could increase our costs to attract and retain talented employees. As a result, we may incur significant costs to attract and retain employees, including significant expenditures related to salaries and benefits and compensation expenses related to equity awards, and we may lose new employees to our competitors or other companies before we realize the benefit of our investment in recruiting and training them.

Employee turnover, including changes in our management team, could disrupt our business. The loss of one or more of our executive officers, founders or other key employees, or our inability to attract and retain highly skilled and creative employees, could have a material adverse effect on our business, results of operations or financial condition.

We believe our corporate culture has contributed to our success and, if we are unable to maintain it as we grow, our business could be harmed.

We believe our corporate culture has been a key element of our success. However, as our organization grows, it may be difficult to maintain our culture, which could reduce our ability to attract and maintain new talent and operate effectively. The failure to maintain the key aspects of our culture as our organization grows could result in decreased employee satisfaction, increased difficulty in attracting top talent and increased turnover and could compromise the quality of our client service, all of which are important to our success and to the effective execution of our business strategy. Accordingly, if we are unable to maintain our corporate culture as we grow our business, this could have a material adverse effect on our business, results of operations or financial condition.

We may not have sufficient insurance coverage and an interruption of our business or loss of a significant amount of property could have a material adverse effect on our financial condition and operations.

We currently do not maintain any insurance policies against loss of key personnel. We do maintain insurance coverage for business interruption as well as product liability claims. In addition, we do maintain director and officer insurance coverage. If any event were to occur which required our insurance coverage to be applicable as well as a loss of key personnel, our business, financial performance, and financial position may be materially and adversely affected.

We could become involved in claims or litigations that may result in adverse outcomes.

From time-to-time we may be involved in a variety of claims or litigations. Such proceeding may initially be viewed as immaterial but could prove to be material. Litigations are inherently unpredictable and excessive verdicts do occur. Given the inherent uncertainties in litigation, even when we can reasonably estimate the amount of possible loss or range of loss and reasonably estimable loss contingencies, the actual outcome may change in the future due to new developments or changes in approach. In addition, such claims or litigations could involve significant expense and diversion of management's attention and resources from other matters.

We may be unable to adequately safeguard our intellectual property or we may face claims that may be costly to resolve or that limit our ability to use such intellectual property in the future.

Where litigation is necessary to safeguard our intellectual property, or to determine the validity and scope of the proprietary rights of others, this could result in substantial costs and diversion of our resources and could have a material adverse effect on our business, financial condition, operating results or future prospects.

We are unable to assure you that third parties will not assert infringement claims against us in respect of our intellectual property or that such claims will not be successful. It may be difficult for us to establish or protect our intellectual property against such third parties and we could incur substantial costs and diversion of management resources in defending any claims relating to proprietary rights. If any party succeeds in asserting a claim against us relating to the disputed intellectual property, we may need to obtain licenses to continue to use the same. We cannot assure you that we will be able to obtain these licenses on commercially reasonable terms, if at all. The failure to obtain the necessary licenses or other rights could cause our business results to suffer.

We could be adversely affected by violations of the U.S. Foreign Corrupt Practices Act and similar international anti-bribery and anti-kickback laws with respect to our activities outside the United States.

We anticipate rendering multidisciplinary primary health care services through our clinics and distributing our medical cannabidiol products to locations in Canada and United States as well as operate our business in Canada and United States. The U.S. Foreign Corrupt Practices Act, and other similar anti-bribery and anti-kickback laws and regulations, generally prohibit companies and their intermediaries from making improper payments to non-U.S. officials for the purpose of obtaining or retaining business. We cannot assure you that we will be successful in preventing our agents from taking actions in violation of these laws or regulations. Such violations, or allegations of such violations, could disrupt our business and result in a material adverse effect on our financial condition, results of operations and cash flows.

We are subject to a number of risks related to credit card and debit card payments we accept.

We accept payments through credit card and debit card transactions. For credit card and debit card payments, we pay interchange and other fees, which may increase over time. An increase in those fees would require us to either increase the prices we charge for our services which could cause us to lose clients or suffer an increase in our operating expenses, either of which could harm our operating results. If we or any of our processing vendors have problems with our billing software, or the billing software malfunctions, it could have an adverse effect on our customer satisfaction and could cause one or more of the major credit card companies to disallow our continued use of their payment products. In addition, if our billing software fails to work properly and, as a result, we do not automatically charge our clients' credit cards, debit cards or bank accounts on a timely basis or at all, we could lose revenues, which would harm our operating results. If we fail to adequately control fraudulent credit card and debit card transactions, we may face civil liability, diminished public perception of our security measures and significantly higher credit card and debit card related costs, each of which could adversely affect our business, financial condition and results of operations. The termination of our ability to process payments on any major credit or debit card would significantly impair our ability to operate our business.

Security breaches of confidential customer information, in connection with our electronic processing of credit and debit card transactions, or confidential employee information may adversely affect our business.

Our business requires the collection, transmission and retention of large volumes of customer and employee data, including credit and debit card numbers and other personally identifiable information, in various information technology systems that are maintained internally and by third parties with whom we contract to provide services. The integrity and protection of that customer and employee data is critical to us. Our customers and employees have a high expectation that we and our service providers will adequately protect their personal information. The information, security and privacy requirements imposed by governmental regulation are increasingly demanding. Our systems may not be able to satisfy these changing requirements and customer and employee expectations or may require significant additional investments or time in order to do so. Efforts to hack or breach security measures, failures of systems or software to operate as designed or intended, viruses, operator error or inadvertent releases of data all threaten our information systems and records. A breach in the security of our service providers' information technology systems could lead to an interruption in the operation of our systems, resulting in operational inefficiencies and a loss of profits. A significant theft, loss or misappropriation of, or access to, customers' or other proprietary data or other breach of our information technology systems could result in fines, legal claims or proceedings, including regulatory investigations and actions, or liability for failure to comply with privacy and information security laws, which could disrupt our operations, damage our reputation and expose us to claims from customers and employees, any of which could have a material adverse effect on our financial condition and results of operations.

We rely on third parties to provide services in connection with our business, and any failure by these third parties to perform their obligations could have an adverse effect on our business, financial condition and results of operations.

We have entered into agreements with third parties that include, but are not limited to, information technology systems (including hosting our website, mobile application and our point-of-sale system), select marketing services, and employee benefits servicing. Services provided by third-party suppliers could be interrupted as a result of many factors, such as acts of nature or contract disputes. Accordingly, we are subject to the risks associated with the third parties' abilities to provide these services to meet our needs. Any failure by a third party to provide services for which we have contracted on a timely basis or within expected service level and performance standards could result in a disruption of our business and have an adverse effect on our business, financial condition, and results of operations.

Our amended and restated articles of incorporation provide that state or federal court located within the state of Nevada will be the sole and exclusive forum for substantially all disputes between us and our shareholders, which could limit its stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers, or other employees.

Our amended and restated articles of incorporation provide that "[u]nless the Corporation consents in writing to the selection of an alternative forum, the sole and exclusive forum for (i) any derivative action or proceeding brought on behalf of the Corporation, (ii) any action asserting a claim of breach of a fiduciary duty owed by any director, officer or other employee of the Corporation to the Corporation or the Corporation's stockholders, (iii) an action asserting a claim arising pursuant to any provision of the NRS, or (iv) any action asserting a claim governed by the internal affairs doctrine, shall be a state or federal court located within the state of Nevada, in all cases subject to the court's having personal jurisdiction over the indispensable parties named as defendants. This exclusive forum provision is intended to apply to claims arising under Nevada state law and would not apply to claims brought pursuant to the Exchange Act of 1934, as amended (the "Exchange Act") or Securities Act of 1933, as amended (the "Securities Act"), or any other claim for which the federal courts have exclusive jurisdiction. The exclusive forum provision in our amended and restated articles of incorporation will not relieve us of our duty to comply with the federal securities laws and the rules and regulations thereunder, and shareholders will not be deemed to have waived compliance with these laws, rules and regulations.

Public health epidemics or outbreaks could adversely impact our business.

While all of the Company's business units are operational at the time of this filing, any future impact of the COVID-19 pandemic or any other public health epidemic on the Company's operations remains unknown and will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration of the COVID-19 or other potential public health epidemic, new information which may emerge concerning the severity of the COVID-19 pandemic or public health epidemic, and any additional preventative and protective actions that governments, or the Company, may direct, which may result in an extended period of continued business disruption, reduced patient traffic and reduced operations. For more information regarding the impact of COVID-19 on the Company, see "—Liquidity and Capital Resources—Financial Impact of COVID-19" of this annual report on Form 10-K.

Risks Related to our Multidisciplinary Primary Health Care Business

We may not be able to successfully implement our business growth initiatives for our multidisciplinary primary health care business on a timely basis or at all, which could harm our business, financial performance, financial position, and results of operations.

The growth of our multidisciplinary primary health care business depends on our ability to open and acquire new clinics and expand our roster of clinicians and staff to best service our multidisciplinary primary health care clinics and eldercare centric homes.

A component of our growth strategy is to increase the number of our multidisciplinary primary health care clinics through both the acquisition of existing clinics and the opening of new clinics while also engaging new contracts with new affiliate clinics and elder centric homes. Our ability to acquire and open profitable clinics and expand our clinician and staffing requirements depends on many factors, including our ability to:

- access capital to fund future acquisitions and preopening expenses;
- achieve brand awareness in new and existing markets;
- manage costs, which could give rise to delays or cost overruns;
- recruit, train, and retain qualified multidisciplinary primary health care clinicians and other staff in our local markets;
- obtain favorable reimbursement rates for services rendered at the clinics;
- successfully staff and operate new clinics and affiliated clinics and elder centric homes;
- obtain all required governmental approvals, certificates, licenses and permits on a timely basis;
- manage delays in the acquisition or opening of clinics;
- compete for appropriate sites in new markets against other multidisciplinary primary health care competitors and clinics; and
- maintain adequate information systems and other operational system capabilities.

Further, additional federal or state legislative or regulatory restrictions or licensure requirements could negatively impact our ability to operate both new and existing clinics.

Accordingly, we may not be able to achieve our planned growth or, even if we are able to grow our clinic base as planned, any new clinics may not be profitable or otherwise perform as planned. Failure to implement successfully our growth strategy would likely have an adverse impact on our business, financial condition or results of operations.

The long-term success of our multidisciplinary primary health care business is highly dependent on our ability to successfully identify and acquire target clinics and identify and secure staffing opportunities.

To achieve our business growth initiative, we will need to acquire and open new clinics and operate them on a profitable basis. We expect this to be the case for the foreseeable future. In addition, we will need to identify and secure staffing opportunities as well. We consider numerous factors in identifying target markets where we can enter or expand and staffing opportunities that we can secure.

The number and timing of new clinics acquired and opened during any given period may be negatively impacted by a number of factors including, without limitation:

- the identification and availability of attractive sites for new clinics and the ability to negotiate suitable lease terms;
- our ability to successfully identify and address pertinent risks during acquisition due diligence;
- the preparation of target clinics' financial statements on methods of accounting other than generally accepted accounting principles, or GAAP;
- the proximity of potential sites to one of our or our competitors' existing clinics;
- our ability to obtain required governmental licenses, permits and authorizations on a timely basis; and
- our ability to recruit qualified clinicians and other personnel to staff our clinics.

If we are unable to find and secure attractive target clinics to expand in existing markets or enter new markets, our revenues and profitability may be harmed, we may not be able to implement our business growth initiatives and our financial results may be negatively affected.

Our intended acquisition and opening of clinics and increase in staffing in new markets exposes us to various risks and may require us to develop new business models.

Our growth and profitability depend on our ability to implement our business growth initiatives by expanding the number of clinics we operate and the amount of staffing in both new and existing markets. We cannot assure you our efforts to expand into new markets, particularly where we do not currently operate, will succeed. To operate in new markets, we may be required to modify our existing business model and cost structure to comply with local regulatory or other requirements, which may expose us to new operational, regulatory or legal risks.

We may be unable to acquire target clinics within our current price ranges. This may reduce the pace of our growth and increase the need for additional debt and equity capital. The patient population of clinics we acquire may be loyal to existing ownership, making it difficult to maintain pre-closing revenue and profit levels. The re-branding of acquired clinics may have an adverse market effect in local communities, and our brand may not be received as favorably in the local communities as we anticipate.

The process of integration of an acquired clinic may subject us to a number of risks, including:

- Failure to successfully manage relationships with multidisciplinary primary health care clinicians and other staff of the acquired clinic;
- Demands on management related to the increase in size of our Company after the acquisition;
- Diversion of management attention;
- Potential difficulties integrating and harmonizing financial reporting systems;
- Difficulties in the assimilation and retention of employees;
- Inability to retain the multidisciplinary primary health care clinicians and other staff of the acquired clinic;
- Inability to establish uniform standards, controls, systems, procedures and policies;
- Inability to retain the patients of the acquired clinic;
- Exposure to legal claims for activities of the acquired clinic prior to acquisition; and
- Incurrence of additional expenses in connection with the integration process.

If the acquired clinic is not successfully integrated into our Company, our business, financial condition and results of operations could be materially adversely affected, as well as our reputation. Furthermore, if we are unable to successfully integrate the acquired clinic or if there are delays in combining the businesses, the anticipated benefits of the acquisition may not be realized fully or at all or may take longer to realize than expected.

Growing our business through acquisitions will require additional personnel. There can be no assurance that these demands will not have a material adverse effect on our business, financial condition, and results of operations, nor can there be any assurance that we will be able to attract or retain competent personnel and improve our operational systems sufficiently to support the expansion of our operations.

Also important to our success will be our ability to achieve additional economies of scale in order to improve operating margins. There can be no assurance that we will be able to achieve such economies of scale, and the failure to do so could have a material adverse effect on our business, financial condition, and results of operations.

Clinics we open in new markets may take longer to reach expected revenue and profit levels on a consistent basis. The cost of opening and operating new clinics may exceed our budget, thereby affecting our overall profitability. New markets may have competitive conditions, consumer preferences, and health care spending patterns that are more difficult to predict, identify or satisfy than our existing markets. We may need to make greater investments than we originally planned in advertising and promotional activity in new markets and after closing acquisitions to build brand awareness. We may find it more difficult in new markets to hire, and we may not be able to retain and motivate qualified multidisciplinary primary health care clinicians and other personnel. We may need to augment our labor model to meet regulatory requirements and the overall cost of labor may increase or be higher than anticipated.

As a result, any new or acquired clinics may be less successful and may not achieve target profit margins at the same rate or at all. If any steps taken to expand our existing business model into new markets are unsuccessful, we may not be able to achieve our growth objectives and our business, financial condition and results of operations could be adversely affected.

We will require additional capital to fund our operating and expansion costs, and our inability to obtain such capital will likely harm our business.

Although we currently operate 16 corporate owned multidisciplinary primary health care clinics, our administrative, corporate, and general organizational infrastructure is designed to support numerous additional clinics. Consequently, we expect that our monthly expenses will continue to exceed our monthly cash receipts until we significantly increase the number of our multidisciplinary primary health care clinics. Depending on the results of our operations, we may need to raise additional capital to cover our operating and expansion costs.

To support our expansion strategy, we must have sufficient capital to continue making investments in new and existing clinics. Current funding sources and cash generated by our operations may not be sufficient to allow us to sustain our expansion efforts. If this is the case, we may need additional equity or debt financing to provide the funds required to operate and expand our business. If such financing is not available on satisfactory terms or at all, we may be unable to expand our business or acquire new clinics at our projected rate and our operating results may suffer. Debt financing increases expenses and must be repaid regardless of operating results and may impose restrictions on the manner in which we operate our business. Equity financing, or debt financing that is convertible into equity, could result in additional dilution to our existing stockholders. Furthermore, if we are unable to obtain adequate capital, whether in the form of equity or debt, to fund our business and growth strategies we may be required to delay, scale back or eliminate some or all of our expansion plans, which may have a material adverse effect on our business, operating results, financial condition, or prospects.

The clinics that we intend to acquire or open may not meet our expectations.

In general, our business growth initiatives involve the acquisition and opening of strategically located clinics. Clinics that we intend to acquire and open may not meet our revenue or profit targets or may take longer than anticipated to do so. If our acquired or new clinics do not perform as planned, our business and future prospects could be harmed. If we are unable to manage successfully the potential difficulties associated with acquiring and opening new clinics, we may not be able to capture the efficiencies and opportunities that we expect from our expansion strategy. Our inability to capture expected efficiencies of scale, maintain patient volumes, improve our systems and equipment, continue our cost discipline, and retain appropriate physician and overall labor levels, could have a material adverse effect on our business, financial condition and results of operations.

If we open new clinics in existing markets, revenue at our existing clinics may be affected negatively.

The catchment area of our clinics varies by location and depends on a number of factors, including population density, other available convenient medical or multidimensional primary health care services, area demographics and geography. As a result, the opening of a new clinic in or near markets in which we already have clinics could adversely affect the revenues of those existing clinics. Existing clinics could also make it more difficult to build our patient base for a new clinic in the same market. We may selectively open new clinics in and around areas of existing clinics that are operating at or near capacity to serve effectively our patients, but revenue cannibalization between our clinics may become significant in the future as competition increases and as we continue to expand our operations. This could adversely affect our revenue growth, which could, in turn, adversely affect our business, financial condition, or results of operations.

We may be required to make capital expenditures in connection with our acquisitions to implement our growth strategy.

In order to maintain brand consistency across our multidimensional primary health care clinics, we may need to make significant capital expenditures to the interior and exterior of our clinics. This may include making real property improvements and upgrading our medical equipment to serve our patients and remain competitive. Changing competitive conditions or the emergence of significant advances in medical technology could require us to invest significant capital in additional equipment or capacity in order to remain competitive. Along these lines, if the systems and technology of our target clinics differ from those we have chosen to utilize, we may be required to invest significant capital to either convert, terminate, or integrate the varying medical technology platforms. If we are unable to fund any such investment or otherwise fail to make necessary capital expenditures, our business, financial condition, or results of operations could be materially and adversely affected.

Damage to our reputation or our brand in existing or new markets could negatively impact our business, financial condition and results of operations.

We must grow the value of our brand to be successful. We intend to further develop our reputation and brand of providing patients with high quality effective multidisciplinary primary health care services, and related products, delivered by respected clinicians and well-trained operational staff. Additionally, we place high-value on building and maintaining a patient-centered culture. If we do not make investments in areas such as marketing and advertising, as well as the day-to-day investments required for clinic operations, equipment upgrades, and personnel training, the value of our brand may not increase or may be diminished. Any incident, real or perceived, regardless of merit or outcome, that adversely affects our brand, such as, but not limited to, patient disability or death due to malpractice or allegations of malpractice, failure to comply with federal, provincial or local regulations, including allegations or perceptions of non-compliance or failure to comply with ethical and operational standards, could significantly reduce the value of our brand, expose us to negative publicity and damage our overall business and reputation.

Our marketing activities may not be successful.

We incur costs and expend other resources in our marketing efforts to attract and retain patients. Our marketing activities are principally focused on increasing brand awareness in the communities in which we provide services. As we open and acquire new clinics, we expect to undertake aggressive marketing campaigns to increase community awareness about our presence and our service capabilities. We plan to conduct our targeted marketing efforts in neighborhoods through channels such as direct mail, billboards, radio advertisements, physician open houses, community sponsorships and various social media. If we are not successful in these efforts, we will have incurred expenses without materially increasing revenue.

The multidisciplinary primary health care market is highly competitive, including competition for patients, strategic relationships, and commercial payor contracts, each of which could adversely affect our contract and revenue base.

The market for providing multidisciplinary primary health care services, and related products, is highly competitive, and all of our clinics and staffing opportunities face and will face competition, in varying degrees, from existing multidisciplinary primary health care providers. Walk-in clinics, hospital emergency rooms, private doctors' offices, freestanding emergency clinics, independent laboratories, hospital- and payor-supported urgent care facilities, and occupational medicine clinics. We compete with national, regional, and local enterprises, some of which have greater financial and other resources available to them, greater access to clinicians, medically licensed physicians and other medical professionals or greater access to potential patients. Our clinics and staffing compete on the basis of accessibility, including evening and weekend hours, walk-in care, as well as varying appointment opportunities. We also compete on the basis of our multi-provinces, regional footprint, which we believe will be of value to both employers and third-party payors. As a result of the differing competitive factors within the markets in which we operate and will operate, the individual results of our clinics may be volatile. If we are unable to compete effectively with any of these entities or groups, we may be unable to implement our business strategies successfully, which could have a material adverse effect on our business, prospects, results of operations and financial condition.

We may not be able to recruit and retain qualified multidisciplinary primary health care clinicians for our multidisciplinary primary health care clinics and staffing of affiliate clinics and eldercare centric homes.

Our success depends upon our ability to recruit and retain qualified multidisciplinary primary health care clinicians and other staff. There is currently a national shortage in Canada and United States of certain of these health care professionals. To the extent a significant number of multidisciplinary primary health care clinicians within an individual community or market decide to partner with competing multidisciplinary primary health care providers or hospitals and not with us, we may not be able to operate our clinics in such community. We face competition for such personnel from existing operators, hospital systems, entrepreneurial start-ups, and other organizations. This competition may require us to enhance wages and benefits to recruit and retain qualified personnel. Our inability to recruit and retain these professionals could have a material adverse effect on our ability to grow or be profitable.

We may not be able to prohibit or limit our multidisciplinary primary health care clinicians from competing with us in our local markets.

In certain provinces in Canada in which we operate or intend to operate and states in the United States in which we intend to operate, non-compete, non-solicitation, and other negative covenants applicable to employment or ownership are judicially or statutorily limited in their effectiveness or are entirely unenforceable against multidisciplinary primary health care professionals. As a result, we may not be able to protect our operational processes, procedures, and general trade secrets or limit insiders from using competitive information against us or competing with us, which could have a material adverse effect on our ability to remain competitive.

With respect to our operations in Canada, we may be unable to enter into or maintain contracts for our affiliate multidisciplinary primary health care clinics and eldercare focused facilities or services on favorable terms with commercial payors.

In Canada, a significant portion of our net patient service revenue is derived from nongovernmental, extended health insurers which provide reimbursement based on a pre-allocated amount disbursed as a cash payment for services, and related products, provided to the patient.

With respect to our anticipated expansion of our operations into the United States, we may be unable to enter into or maintain contracts for our multidisciplinary primary health care clinics and services on favorable terms with commercial payors in the United States.

With respect to our anticipated expansion of our operations into the United States, we anticipate that a significant portion of our net patient service revenue will be derived from nongovernmental, third-party payors, or commercial payors, such as managed care organizations, commercial insurance providers and employer-sponsored health care plans. These commercial payors use a variety of methods for reimbursement depending on the arrangement involved. These arrangements include fee-for-service, PPOs and health maintenance organizations, as well as prepaid and discounted medical service packages and capitated, or fixed fee, contracts. Rates for health maintenance organization benefit plans are typically lower than those for PPOs or other benefit plans that offer broader provider access.

Frequently, commercial payors classify or may reclassify our multidisciplinary primary health care services differently. Such distinctions may result in different payment and reimbursement structure. Such differences may affect costs to the patient through increased copayments, deductibles and other cost-sharing mechanisms and, accordingly, patient choice of provider.

There is often pressure to renegotiate reimbursement levels, particularly in connection with changes to Medicare. Typically, commercial payors reimburse us based upon contracted discounts to our established base rates. If managed care organizations and other commercial payors reduce their rates or we were to experience a significant shift in our revenue mix toward Medicare or Medicaid reimbursements, then our revenue and profitability would be adversely affected and our operating margins would be reduced. Commercial payors often demand discounted fee structures, and the trend toward consolidation among commercial payors tends to increase their bargaining power over fee structures. Because some commercial payors rely on all or portions of Medicare fee schedules to determine payment rates, changes to government health care programs that reduce payments under these schedules may negatively impact payments from commercial payors. Other health care providers may impact our ability to negotiate increases and other favorable terms in our reimbursement arrangements with commercial payors. For example, some of our competitors may negotiate exclusivity provisions with commercial payors or otherwise restrict the ability of commercial payors to contract with us. We may be excluded from participating in commercial payor networks, making it more expensive for certain patients to receive treatment at our clinics. Our results of operations will depend, in part, on our ability to retain and renew managed care contracts as well as enter into new managed care contracts on terms favorable to us. Our inability to maintain suitable financial arrangements with commercial payors could have a material adverse impact on our business.

As various provisions of the Patient Protection and Affordable Care Act, or the ACA, are implemented, commercial payors may increasingly demand fee reductions. In addition, there is a growing trend for commercial payors to take steps to shift the primary cost of care to the plan participant by increasing co-payments, co-insurance and deductibles, and these actions could discourage such patients from seeking treatment at our clinics. Patient volumes could be negatively impacted if we are unable to enter into or maintain acceptable contracts with such commercial payors, which could have a material adverse effect on our business, prospects, results of operations and financial condition.

Government health care programs may reduce reimbursement rates.

Our competition will also be the Canadian health care system which is a government sponsored system that began in 1957, when Parliament approved the Hospital Insurance and Diagnostics Services Act. The Act provided free acute hospital care, laboratory and radiological diagnostic services to Canadians. By 1961, agreements were in place with all the provinces and 99% of Canadians had free access to the health care services covered by the legislation. The Act was followed by the Medical Care Act of 1966 that provided free access to physician services. By 1972, each province had established its own system of free access to physician services. The federal government shared in the funding. In 1984, the Government of Canada passed the Canada Health Act (CHA). The Canada Health Act created a publicly administered health care system that is comprehensive, universal and accessible. All medically necessary procedures are provided free of charge. The system provides diagnostic, treatment and preventive services regardless of income level or station in life. Access to care is not based on health status or ability to pay. Coverage is portable between provinces and territories. We can give no assurance that we will be able to effectively compete in this market.

In recent years, in the United States, new legislation has been proposed and adopted at both the federal and state level that is effecting major changes in the health care system. Any change in the laws, regulations, or policies governing the health care system could adversely affect reimbursement rates and our operations and financial condition. Enacted in March 2010, the ACA seeks to expand health care coverage, while increasing quality and limiting costs. The ACA substantially changes the way health care is financed by both governmental and commercial payors. As a result of the ACA or the adoption of additional federal and state health care reforms measures there could be limits to the amounts that federal and state governments will pay for health care services, which could result in reduced demand or profitability of our services.

Furthermore, if due to an allegation of fraud or any other reason one or more of our multidisciplinary primary health care clinicians or practitioners is no longer entitled to bill and receive payment for services rendered to patients whose treatment is paid in whole or in part by a governmental payor, our revenue may be negatively impacted, which could have a material adverse effect on our business, prospects, results of operations and financial condition.

If payments from commercial or governmental payors are significantly delayed, are reduced or eliminated, our business, prospects, results of operations and financial condition could be adversely affected.

We depend upon compensation from third-party payors for the services provided to patients by our multidisciplinary primary health care clinicians and practitioners in our clinics, affiliate clinics and eldercare centric homes serviced by our clinicians. The amount that we receive through our clinics in payment for their services may be adversely affected by factors we do not control, including federal, provincial, or local regulatory changes, cost-containment decisions, and changes in reimbursement schedules of third-party payors and legislative changes. Any reduction or elimination of these payments could have a material adverse effect on our business, prospects, results of operations and financial condition.

Additionally, the reimbursement process is complex and can involve lengthy delays. Although we recognize revenue when multidisciplinary primary health care services are provided, there can be delays before we receive payment. In addition, third-party payors may disallow, in whole or in part, requests for reimbursement based on determinations that certain amounts are not reimbursable under plan coverage, that services provided were not medically necessary, or that additional supporting documentation is necessary. Retroactive adjustments by third-party payors may be difficult or cost prohibitive to appeal, and such changes could materially reduce the actual amount we receive from those payors. Delays and uncertainties in the reimbursement process may be out of our control and may adversely affect us.

Significant changes in our payor mix resulting from fluctuations in the types of patients seen at our clinics could have a material adverse effect on our business, prospects, results of operations and financial condition.

Our results may change from period to period due to fluctuations in payor mix or other factors relating to the type of treatment performed by clinicians at our clinics. Payor mix refers to the relative amounts we receive from the mix of persons or entities that pay or reimburse us for health care services. Because we generally receive relatively higher payment rates from commercial payors than from governmental payors or self-pay patients, a significant shift in our payor mix toward a higher percentage of self-pay or patients whose treatment is paid in whole or part by a governmental payor, which could occur for reasons beyond our control, could have a material adverse effect on our business, prospects, results of operations and financial condition.

Failure to bill timely or accurately for our services could have a negative impact on our net revenues, bad debt expense and cash flow.

Billing for our services is often complex and time consuming. The practice of providing multidisciplinary primary health care services, and related products, in advance of payment or prior to assessing a patient's ability to pay for such services may have a significant negative impact on our patient service revenue, bad debt expense and cash flow. We bill numerous and varied payors, including self-pay patients, various forms of commercial payors, government payors and insurance payors. Billing requirements that must be met prior to receiving payment for services rendered often vary by payor. Self-pay patients and third-party payors may fail to pay for services even if they have been properly billed. Reimbursement is typically dependent on our providing the proper procedure and diagnosis codes.

Additional factors that could affect our collections for the services we render include:

- disputes among payors as to which party is responsible for payment;
- variations in coverage among various payors for similar services;
- the difficulty of adherence to specific compliance requirements, coding and various other procedures mandated by responsible parties;
- the institution of new coding standards; and
- failure to properly credential our providers to enable them to bill various payors.

The complexity associated with billing for our services causes many delays in our cash collections, resulting in increased carrying costs associated with the aging of our accounts receivable as well as the increased potential for bad debt expense.

We are dependent on our third-party revenue cycle managers for billing and collection of our claims.

We submit our claims for services rendered to commercial payors and governmental payors electronically through our third-party revenue cycle managers. We are dependent on our revenue cycle managers for the timely billing and collections of our claims. Any delay by or failure of our revenue cycle managers to timely bill and collect our claims could have a material adverse effect on our business, results of operations and financial condition.

We may incur costs resulting from security risks in connection with the electronic data processing by our partner banks.

Because we accept electronic payment cards for payments at our facilities, we may incur costs resulting from related security risks in connection with the electronic processing of confidential information by our partner banks. Recently, several of the large national banks have experienced potential or actual breaches in which similar data has been or may have been stolen. Such occurrences could cause patient dissatisfaction resulting in decreased visits or could also distract our management team from the management of the day-to-day operations.

With respect to our Canadian operations and our anticipated expansion of our operations into the United States, a successful challenge by tax authorities to our treatment of certain multidisciplinary primary health care clinicians and practitioners as independent contractors or the elimination of an existing safe harbor could materially increase our costs relating to these multidimensional primary health care clinicians and practitioners.

With respect to our Canadian operations and our anticipated expansion of our operations into the United States, certain of our multidisciplinary primary health care clinicians and practitioners may be engaged as independent contractors by our state-level operating subsidiaries. If these personnel are treated as independent contractors rather than as employees, our state-level operating subsidiaries will not (i) withhold federal, state or local or state income or other employment related taxes from their compensation, (ii) make federal, provincial, state or local federal or state unemployment tax or Federal Insurance Contributions Act payments with respect to them, (iii) provide workers compensation insurance with respect to them (except in states where they are required to do so for independent contractors), or (iv) allow them to participate in benefits and retirement programs available to employees. Although we will have contracts with these licensed multidisciplinary primary health care clinicians obligating them to pay these taxes and other costs, if a challenge to our treatment of these licensed multidisciplinary primary health care clinicians and practitioners as independent contractors by federal, state, or local authorities were successful and they were treated as employees instead of independent contractors, we could be liable for taxes, penalties, and interest. In addition, there are currently, and have been in the past, proposals made to eliminate an existing safe harbor that would potentially protect us from the imposition of taxes in these circumstances, and similar proposals could be made in the future. If such a challenge were successful or if the safe harbor were eliminated, this could cause a material increase in our costs relating to these personnel and, have a material adverse effect on our business, financial condition, and results of operations.

Currently, our corporate owned clinics and affiliate clinics are located in the Canadian provinces of Ontario, Alberta, Nova Scotia and Newfoundland making us particularly sensitive to regulatory, economic, and other conditions in those states.

Our clinics and affiliate clinics are located in the Canadian provinces of Ontario, Alberta, Nova Scotia and Newfoundland. If there were an adverse regulatory, economic, or other development in any of those states, our patient volume could decline, our ability to operate our clinics under our existing business model could be impacted, or there could be other unanticipated adverse impacts on our business that could have a material adverse effect on our business, financial condition, and results of operations.

Our business is seasonal, which impacts our results of operations.

Our clinics' patient and staffing volumes are sensitive to seasonal fluctuations. Typically, winter months see a higher occurrence of motor vehicle and winter weather related accidents, such as falling, however; the timing and severity of these can vary dramatically. Additionally, in the United States as consumers shift toward high deductible insurance plans, they are responsible for a greater percentage of their bill, particularly in the early months of the year before other health care spending has occurred, which may lead to lower than expected patient volume or an increase in bad debt expense during that period. Our quarterly operating results may fluctuate significantly in the future depending on these and other factors.

We could be subject to lawsuits for which we are not fully insured.

Medical professionals, including multidisciplinary primary health care clinicians and practitioners, have become subject to an increasing number of lawsuits alleging medical malpractice and related legal theories such as negligent hiring, supervision and credentialing. In Canada, our clinicians and practitioners, whether an employee or independent contractor, are responsible for their own professional liability insurance coverage. As provided in Canadian rules and regulations, our liability insurance coverage is not required to cover our clinicians and practitioners. As we expand in the United States, we anticipate procuring insurance coverage for our affiliated multidimensional primary health care clinicians, practitioners, and corporate entities. In addition, as we expand our menu of services and related products through our various Medical Technology Platforms or possible acquisition of a medical licensed primary care practice, we will be subject to lawsuits alleging medical malpractice and related legal theories such as negligent hiring, supervision, and credentialing.

We are currently insured under policies in amounts management deems appropriate, based upon the nature and risk of our business. Nevertheless, there are exclusions and exceptions to coverage under each insurance policy that may make coverage for any claim unavailable, future claims could exceed the limits of available insurance coverage, existing insurers could become insolvent and fail to meet their obligations to provide coverage for such claims, and such coverage may not always be available with sufficient limits and at reasonable cost to insure us adequately and economically in the future. One or more successful claims against us not covered by, or exceeding the coverage of, our insurance could have a material adverse effect on our business, prospects, results of operations and financial condition. Moreover, in the normal course of our business, we may be involved in other types of lawsuits, claims, audits and investigations, including those arising out of our billing and marketing practices, employment disputes, contractual claims and other business disputes for which we may have no insurance coverage. The outcome of these matters could have a material adverse effect on our financial position, results of operations, and cash flows.

Some of these lawsuits may involve large claim amounts and substantial defense costs.

Insurance coverage for some of our losses may be inadequate and may be subject to the credit risk of commercial insurance providers.

We maintain insurance coverage for specific liability for our clinic facilities through various third-party insurers. To the extent we hold policies to cover certain groups of claims or rely on insurance coverage obtained by third parties to cover such claims, we may be responsible for those losses if the insurance coverage is inadequate or the insurer rejects our claim for payment. Furthermore, for our losses that are insured or reinsured through commercial insurance providers, we are subject to the financial viability of those insurance companies. Although we believe our commercial insurance providers are currently creditworthy, they may not remain so in the future.

Risks Related to Health Care Regulation

The health care industry is heavily regulated, and if we fail to comply with these laws and government regulations, we could incur penalties or be required to make significant changes to our operations.

The health care industry is heavily regulated and closely scrutinized by federal, state, provincial and local governments. Comprehensive statutes and regulations govern the manner in which we provide and bill for services and products, our contractual relationships with our clinicians, vendors, patients and our marketing activities and other aspects of our operations. If we fail to comply with these laws and regulations, we could be exposed to civil and criminal penalties such as fines, damages, overpayment recoupment, loss of enrollment status and exclusion from government health care programs. Any action against us for violation of these laws or regulations, even if successfully defended, could cause us to incur significant legal expenses and divert our management's attention from the operation of our business. Our clinicians and practitioners are also subject to ethical guidelines and operating standards of professional and private accreditation agencies.

The laws, regulations and standards governing the provision of health care service, and related products, may change significantly in the future, and these changes may materially and adversely affect our business. Furthermore, a review of our business by regulatory or accreditation authorities could result in determinations that could adversely affect our operations.

Our Canadian clinics are and will be subject to numerous statutes and regulations. Additionally, given our intention to expand and begin operations in the United States, we will be subject to numerous U.S. statutes and regulations. Failure to comply with these laws and regulations could result in civil or criminal sanctions.

The operation of our clinics in Canada subjects us, and will subject us, to many provincial laws and regulations, following the projected expansion of our Company's operations to the United States, federal and state laws in the United States. In general, whether directly or through boards, agencies, or other delegated authorities, regulating the ownership and dispensing of controlled substances, the retention and storage of medical records, patient privacy and protection of health information, the licensure of multidisciplinary primary health care providers, including clinicians, and the clinical supervision, by physicians, of nurse practitioners and physician assistants, among other aspects of our operations are regulated. All such laws and regulations, and the applicable interpretations of such laws and regulations, are subject to change.

Additional regulation of clinics such as ours has been proposed in several Canadian provinces and the United States. The adoption of any such regulations in the provinces in Canada, or states in the United States in which we operate or intend to operate, could force us to change our operational or transactional approach or lead to a finding by regulators that our primary care clinics and clinics do not meet legal requirements. We may be subject to criminal prosecution, regulatory fines, penalties, or other sanctions if our operations or clinics are found to not comply with applicable laws and regulations. In addition, we may be required to refund all funds received from patients and third-party payors during the period of noncompliance.

With respect to our anticipated expansion of our operations into the United States, state regulation of the expansion of multidisciplinary primary health care clinics could prevent us from reaching our expansion objectives.

In the United States, many states have certificate of need programs that require some level of prior approval for the development, acquisition, or expansion of health care sector related facilities. With respect to our anticipated expansion of our operations into the United States, in the event we choose to acquire or open clinics in a state that does require such approval, we may be required to obtain a certificate of need before the acquisition or opening occurs. If we are unable to obtain such approvals, we may not be able to move forward with the planned activity.

Only a few states currently require the licensure of multidisciplinary primary health care clinics such as ours. The lack of a specific licensure process for our clinics in the vast majority of states may lead state legislators or regulators to regulate aggressively the growth of our industry, potentially seeking to treat our industry in a manner similar to hospitals or freestanding emergency departments. Further, the growing number of urgent care clinics and freestanding emergency departments may lead to legislation or regulations requiring us to change substantially our operations or cease our operations in that state entirely. Any such requirements could have a material adverse effect on our prospects and growth strategy.

Our services, and related products, are subject to comprehensive laws and regulations that govern the manner in which we bill and are paid for our services by third-party payors, and the failure to comply with these requirements can result in civil or criminal sanctions, including exclusion from federal and state health care programs.

A substantial portion of our services, and related products, are paid for by commercial payors and governmental payors. These third-party payors typically have differing and complex billing and documentation requirements. If we fail to meet these requirements, we may not be paid for our services or payment may be substantially delayed or reduced.

Numerous federal, provincial and local laws also apply to our claims for payment, including but not limited to (i) "coordination of benefits" rules that dictate which payor must be billed first when a patient has coverage from multiple payors, (ii) requirements that overpayments be refunded within a specified period of time, (iii) "reassignment" rules governing the ability to bill and collect professional fees on behalf of other providers, (iv) requirements that electronic claims for payment be submitted using certain standardized transaction codes and formats, and (v) laws requiring all health and financial information of patients in a manner that complies with applicable security and privacy standards.

Third-party payors carefully monitor compliance with these and other applicable rules. Our failure to comply with these rules could result in our obligation to refund amounts previously paid for such services or non-payment for our services.

If we are found to have violated any of these or any of the other laws or regulations which govern our activities, the resulting penalties, damages, fines or other sanctions could adversely affect our ability to operate our business and our financial results.

Changes in coverage and the rates or methods of third-party reimbursements may adversely affect our revenue and operations.

A substantial portion of our revenue is derived from direct billings to patients and third-party payors. As a result, any changes in the rates or methods of reimbursement for the services and products we provide could have a material adverse effect on our revenue and financial results. Reimbursement rates can vary depending on whether our clinic is an in-network or out-of-network provider. Each of our clinics may be out-of-network for some patients. When acting as an out-of-network provider, reimbursement rates may be lower, co-payments and deductibles may be higher and we may have difficulties complying with the billing requirements of certain third-party payors.

Past and future legislation related to the health care industry and other changes in the health care industry could adversely affect our business, financial condition, and results of operations.

The health care industry is subject to legislative and regulatory changes, as well as changes from other influences. The government may continue reviewing and assessing health care delivery and payment systems and may in the future adopt legislation making additional fundamental changes in the health care system. There is no assurance that such changes will not have a material adverse effect on our business, financial condition, or results of operations. Continued efforts to shift health care costs to the patient (through co-payments, deductibles, and other mechanisms) could adversely affect our business, financial condition, and results of operations.

We are subject to the Canada Health Act, Canada's National Health Insurance Program and Food and Drugs Act and analogous provisions of applicable state laws and could face substantial penalties if we fail to comply with such laws.

In Canada, some health care services are public, some are private with a number of different entities involved in regulating and providing their delivery. While there is a perception that all health care in Canada is publicly funded, the publicly funded system is generally restricted to "medically necessary" hospital and physician services, and provincial or territorial drug plans that provide access to prescription drugs to residents over the age of 65 or those residents who rely on social assistance programs. Publicly funded services are delivered through a combination of public and private providers and funding comes from the Canadian federal government, which sets national standards, and the provincial and territorial governments, which regulates the delivery of services and determines those services that are deemed "medically necessary" (i.e., publicly funded) within the context of their own unique fiscal and political environment. In addition, there are a wide array of health products and services that are not subject to coverage under the public health insurance plans that are provided on a private payer basis.

Federal/Provincial Government Division of Power in Canada

As is the case for many important industries and economic sectors, neither the federal, nor the provincial/territorial level of government has exclusive jurisdiction over health. Instead, the Constitution Act, 1867, divides the legislative powers relevant to the regulation of the delivery of health products and services between the federal and provincial levels of government.

The federal government is responsible for regulating important aspects of various health industries or sectors including the regulation of selling, importing, distributing, and marketing drugs and medical devices and it maintains significant influence over health policy and national objectives through the use of its spending power.

The provincial/territorial level of government has comprehensive authority over the delivery of health care services. Other examples of provincial responsibility include the regulation of hospitals and other health facilities, administration of health insurance plans, distribution of prescription drugs and regulation of health professionals.

However, many health industry sectors are subject to at least some degree of regulation or oversight by both levels of government.

Canada's National Health Insurance Program

Canada's "national" health insurance program, a publicly funded single-payer system often referred to as "Medicare," is designed to ensure that all Canadian residents have universal access to medically necessary hospital and physician services through the provincial and territorial health care insurance plans.

The Canada Health Act

The Canada Health Act is the federal legislation that provides the foundation for the Canadian health care system. The Act is administered by Health Canada, the federal department with primary responsibility for maintaining and improving the health of Canadians. However, neither the Canada Health Act nor Health Canada have direct authority to regulate the health insurance plans that give effect to the publicly funded health insurance system that is in place across the country. Instead, the Act establishes certain values and principles and sets out criteria and conditions that each publicly funded health insurance plan is required to meet in order to qualify for federal funding through the Canada Health Transfer. As federal funding is critical to the ability to fund "medically necessary" hospital and physician services, each provincial and territorial health insurance plan must satisfy the requirements of public administration; universality; portability; comprehensiveness; and accessibility.

Notably, these requirements relate only to funding and administration and establishing broad principles rather than a prescriptive code. In addition, the Canada Health Act is silent with respect to the delivery of health services and does not prohibit or discourage the delivery of insured health services by the private sector. As a result, there is significant variation in the funding and administration of health insurance plans from one jurisdiction to another. However, most provinces permit the delivery of a broad range of publicly funded health services through a combination of both public and private providers. Indeed, many publicly funded services in Canada are privately delivered.

The requirement that publicly funded health insurance plans be comprehensive requires that "medically necessary" hospital and physician services be covered. If a service is determined to be "medically necessary" then the full cost of the service must be covered by the public plan. However, the term is not defined and the services that must be covered are intentionally and broadly defined in order to accommodate the ability of each province and territory to make its own coverage decisions within the context of its unique fiscal and political environment. Typically, such decisions are made in consultation with the relevant medical associations in the jurisdiction. However, determining whether a particular service is "medical necessary" is a determination that has both a fiscal and political dimension. Ultimately, these coverage decisions are decisions about the allocation of scarce public resources.

The products and services available to Canadians through the publicly funded health insurance system are supplemented by a wide array of health products and services that are not, as a general matter, subject to coverage under the public health insurance plans. For example, prescription drug coverage, dental services and vision care are generally provided on a private payer basis. However, many jurisdictions provide coverage for these types of services to seniors and those who face financial or other barriers to privately funded health care. There are also a growing number of providers that offer ancillary healthcare services. Examples include elective surgical or cosmetic procedures.

Regulation of Health Professionals and Health Facilities

Health professionals and health care facilities are subject to federal laws of general application, but the regulation of such matters is largely a matter of provincial jurisdiction.

Health Professionals

Through legislation, the provinces have delegated the regulation of health professionals to self-governing professional bodies (with varying degrees of discretion). Such legislation generally seeks to protect the public through a combination of "input regulations" that focus on who is entitled to provide a particular health service and "output regulations" that focus on the quality and delivery of the service being provided. Such regulations also generally include conflict of interest (or anti-kickback) provisions, as such matters are generally dealt with as part of the regulation of health professions rather than the regulation of health facilities.

Health industry participants that offer a particular service need to understand how the service is regulated. If the service involves the performance of a regulated or controlled act (i.e., acts that can only be performed by a particular category or categories of regulated health professionals or their delegates) then the involvement of one or more duly qualified health professionals will likely be required. Also, it may be necessary to implement certain protocols and procedures in order to comply with the requirements of the regulatory colleges that govern the practices of any such professionals. Complying with such requirements can have significant commercial implications.

Health Facilities

Operating a regulated health facility can be challenging and often involves a degree of regulatory risk.

Residential health care facilities other than hospitals, such as nursing homes, long-term care facilities, pharmacies, laboratories and specimen collection clinics are, in most jurisdictions, privately owned and operated pursuant to provincial licenses and oversight. However, the degree to which such health facilities and other providers are regulated generally depends on the nature of the products and services being provided.

The operation of health facilities by private sector entities still typically involves some element of reimbursement through public funds. Where public funds are being used to acquire goods and services, additional accountability measures such as procurement requirements often apply.

Regulation of Drugs

The process of obtaining marketing authorizations and approvals of prescription drugs is administered by Health Canada's Therapeutic Products Directorate (TPD).

The TPD applies the Food and Drugs Act and the regulations applicable to prescription drugs to ensure that drug products sold in Canada are safe and effective. No drug product can be offered for sale in Canada unless and until, after review, it is issued a marketing authorization by Health Canada.

In addition to its review of drug products, Health Canada is responsible for the ongoing monitoring of drug products being sold in Canada, as well as the regulation of good manufacturing practices and establishment licenses, which are required in connection with the import, manufacture, distribution and/or sale of drug products.

The Patented Medicines Prices Review Board

The Patented Medicines Prices Review Board (PMPRB) is an independent quasi-judicial body created in 1987 under amendments to the Patent Act. The PMPRB is responsible for regulating the prices that patentees charge for prescription and non-prescription patented drugs sold in Canada. Based on a review of the information required to be filed by a patentee, the PMPRB considers whether the price of a medicine appears excessive based on certain factors including: (i) the prices that the patented medicine is sold in the Canadian market; (ii) the prices at which other medicines in the same therapeutic class are sold in the Canadian market; and (iii) the prices at which the medicine and other medicines in the same therapeutic class have been sold in other countries other than Canada. If the PMPRB considers the price of a medicine appears excessive, revised pricing is the usual outcome.

Public Market Access

Each province has a provincial drug plan that allows certain individuals to access drugs at a reduced cost. Products that will be paid for by the provincial government (in some provinces, for all residents, while in others for certain prescribed individuals such as seniors and individuals receiving social assistance), are typically listed on provincial formularies. For innovator products, the manufacturer negotiates the pricing for inclusion on the provincial formulary with the provincial government. For generic products, the price to be paid for the generic product is determined by a sliding scale of fixed prices related to when such products enter the market and the price of the innovator product (i.e., a percent of the price of the innovator pharmaceutical product depending on whether they are first, second or third entry products). If a drug is a generic product and listed as interchangeable on the provincial formulary, a pharmacist is permitted to dispense the interchangeable product for the innovator product. Under most provincial benefit plans, interchanging a generic product for the innovator product by pharmacists is mandatory and generally most provinces will only reimburse the pharmacist for the lowest cost interchangeable product. Government drug plans account for approximately 50% of all sales of prescription drugs in Canada.

The scope and enforcement of each of these laws is uncertain and subject to constant change. Federal and provincial enforcement entities have significantly increased their scrutiny of health care companies and providers which has led to investigations, prosecutions, convictions and large settlements. Although we conduct our business in compliance with all applicable federal and provincial fraud and abuse laws, many of these laws are broadly worded and may be interpreted or applied in ways that cannot be predicted with any certainty. Therefore, we cannot assure you that our arrangements or business practices will not be subject to government scrutiny or will be found to be in compliance with applicable fraud and abuse laws. Further, responding to investigations can be time consuming and result in significant legal fees and can potentially divert management's attention from the Company.

We are subject to the data privacy and security laws of Canada, and the failure to comply with these rules, or allegations that we have failed to do so, could result in civil or criminal sanctions.

In Canada, under the Personal Information Protection and Electronic Documents Act and under various provincial laws, comprehensive privacy laws have been introduced to protect the privacy of individuals from the undisclosed or non-consensual sharing of sensitive information for commercial purposes. As the gathering and use of information is such an integral component of our business, we must always be alert for and respond to changes in the information regulatory environment. The failure to comply with these rules, or allegations that we have failed to do so, could result in civil or criminal sanctions against us.

Following the intended acquisition, or opening, of one or more clinics or staffing primary healthcare practitioners in the United States, our centers may participate in the federal Medicare program and, as a result, we will need to comply with a number of additional federal regulatory requirements.

Following the intended acquisition, or opening, of one or more multidisciplinary primary healthcare clinics or the staffing of multidisciplinary primary healthcare clinics, affiliate clinics or eldercare centric homes with clinicians and practitioners in the United States, our clinics and multidisciplinary primary healthcare clinicians and practitioners, including any staffing we might pursue in affiliate clinics or eldercare centric homes in the United States, might participate in the federal Medicare and/or Medicaid programs.

Since 1992, Medicare has paid for the “medically necessary” services of physicians, non-physician practitioners, clinicians and certain other suppliers under a physician fee schedule, a system that pays for covered physicians’ services furnished to a person with Medicare Part B coverage. Under the physician fee schedule, relative values are assigned to each of more than 7,000 services to reflect the amount of work, the direct and indirect (overhead) practice expenses, and the malpractice expenses typically involved in furnishing that service. Each of these three relative value components is multiplied by a geographic adjustment factor to adjust the payment for variations in the costs of furnishing services in different localities. Relative value units, or RVUs, are summed for each service and then are multiplied by a fixed-dollar conversion factor to establish the payment amount for each service. The higher the number of RVUs assigned to a service, the higher the payment. Under the Medicare fee-for-service payment system, an individual can choose any licensed physician enrolled in Medicare and use the services of any healthcare provider or facility certified by Medicare.

CMS is required to limit the growth in spending under the physician fee schedule by a predetermined sustained growth rate, or SGR. If implemented as mandated, the SGR would result in significant payment reductions under the physician fee schedule. Every year since 2003, Congress has delayed application of the SGR, but we cannot predict with certainty whether it will continue to do so. Congress most recently delayed application of the SGR in the Protecting Access to Medicare Act of 2014, or PAMA, which became effective on April 1, 2014. In March of 2014 (prior to the passage of PAMA), CMS announced that the estimated physician fee schedule update for 2014 would be reduced by 20.9% due to the SGR formula. PAMA provides for the continuation of the 0.5% reimbursement increase to the physician payment schedule through December 31, 2014 (originally provided under the Pathway for SGR Reform Act of 2013), and it also provides for no change to the physician fee schedule through March 31, 2015. Although several recent legislative proposals have sought to impose permanent or semi-permanent solutions to the SGR reductions, we cannot predict with certainty whether the SGR will be repealed or if another formula would be substituted and what form that might take. Repeal of the SGR could be offset by further reductions in Medicare payments, and any such reductions could have a material adverse effect on our business.

Furthermore, the ACA reduces annual payment updates for certain providers and reduces Medicare payments for certain procedures, and the Budget Control Act of 2011, or BCA, requires automatic spending reductions for each fiscal year through 2021. As a result of the BCA and subsequent activity in Congress, a \$1.2 trillion sequester (across-the-board spending cuts) in discretionary programs took effect in 2013. In particular, a 2% reduction in Medicare payments took effect on April 1, 2013 which has recently been extended for an additional two years beyond the original expiration date of 2021.

Following the intended acquisition, or opening, of one or more clinics or staffing primary healthcare practitioners in the United States, we will be subject to CMS' RAC program.

The Medicare Prescription Drug, Improvement and Modernization Act of 2003, or MMA, introduced on a trial basis the use of RACs for the purpose of identifying and recouping Medicare overpayments and underpayments. Any overpayment received from Medicare is considered a debt owed to the federal government. In October 2008, CMS made the RAC program permanent. RACs review Medicare claims to determine whether such claims were appropriately reimbursed by Medicare. RACs engage in an automated review and in a complex review of claims. Automated reviews are conducted when a review of the medical record is not required and there is certainty that the service is not covered or is coded incorrectly. Complex reviews involve the review of all underlying medical records supporting the claim; and are generally conducted where there is a high likelihood, but not certainty, that an overpayment has occurred. RACs are paid a contingency fee based on overpayments identified and collected.

A Medicare administrative contractor, or MAC, may suspend Medicare payments to a provider if it determines that an overpayment has occurred. When a Medicare claim for payment is filed, the MAC will notify the patient and the provider of its initial determination regarding reimbursement. The MAC may deny the claim for one of several reasons, including the lack of necessary information or lack of medical necessity for the services rendered. Providers may appeal any denials for claim payments.

Following the intended acquisition, or opening, of one or more clinics or staffing primary healthcare practitioners in the United States, any such reviews under the RAC program or denials by the MAC could have a material adverse effect on our results of operations.

Following the intended acquisition, or opening, of one or more clinics or staffing primary healthcare practitioners in the United States, we will be subject to the Anti-Kickback Statute, FCA, Civil Monetary Penalties statute and analogous provisions of applicable state laws and could face substantial penalties if we fail to comply with such laws.

Anti-Kickback Statute

Following the intended acquisition, or opening, of one or more clinics or staffing primary healthcare practitioners in the United States, if we are participants in the Medicare program, we will be subject to the Anti-kickback Statute. The Anti-Kickback Statute prohibits the knowing and willful offer, payment, solicitation or receipt of remuneration, directly or indirectly, in return for the referral of patients or arranging for the referral of patients, or in return for the recommendation, arrangement, purchase, lease or order of items or services that are covered, in whole or in part, by a federal healthcare program such as Medicare or Medicaid. The term "remuneration" has been broadly interpreted to include anything of value such as gifts, discounts, rebates, waiver of payments or providing anything at less than its fair market value. The ACA amended the intent requirement of the Anti-Kickback Statute such that a person or entity can be found guilty of violating the statute without actual knowledge of the statute or specific intent to violation the statute. Further, the ACA now provides that claims submitted in violation of the Anti-Kickback Statute constitute false or fraudulent claims for purposes of the civil False Claims Act, or FCA, including the failure to timely return an overpayment. Many states have adopted similar prohibitions against kickbacks and other practices that are intended to influence the purchase, lease or ordering of healthcare items and services reimbursed by a governmental health program or state Medicaid program. Some of these state prohibitions apply to remuneration for referrals of healthcare items or services reimbursed by any third-party payor, including commercial payors.

Following the intended acquisition, or opening, of one or more clinics or staffing primary healthcare practitioners in the United States, if we accept funds from governmental health programs, we will be subject to the Anti-Kickback Statute. Violations of the Anti-Kickback Statute can result in exclusion from Medicare, Medicaid or other governmental programs as well as civil and criminal penalties, such as \$25,000 per violation and up to three times the remuneration involved. If in violation, we may be required to enter into settlement agreements with the government to avoid such sanctions. Typically, such settlement agreements require substantial payments to the government in exchange for the government to release its claims, and may also require entry into a corporate integrity agreement, or CIA. Any such sanctions or obligations contained in a CIA could have a material adverse effect on our business, financial condition and results of operations.

False Claims Act

The federal civil FCA prohibits providers from, among other things, (1) knowingly presenting or causing to be presented, claims for payments from the Medicare, Medicaid or other federal healthcare programs that are false or fraudulent; (2) knowingly making, using or causing to be made or used, a false record or statement to get a false or fraudulent claim paid or approved by the federal government; or (3) knowingly making, using or causing to be made or used, a false record or statement to avoid, decrease or conceal an obligation to pay money to the federal government. The "qui tam" or "whistleblower" provisions of the FCA allow private individuals to bring actions under the FCA on behalf of the government. These private parties are entitled to share in any amounts recovered by the government, and, as a result, the number of "whistleblower" lawsuits that have been filed against providers has increased significantly in recent years. Defendants found to be liable under the FCA may be required to pay three times the actual damages sustained by the government, plus mandatory civil penalties ranging between \$5,500 and \$11,000 for each separate false claim.

There are many potential bases for liability under the FCA. The government has used the FCA to prosecute Medicare and other government healthcare program fraud such as coding errors, billing for services not provided, and providing care that is not medically necessary or that is substandard in quality. The ACA also provides that claims submitted in connection with patient referrals that results from violations of the Anti-Kickback Statute constitute false claims for the purpose of the FCA, and some courts have held that a violation of the Stark law can result in FCA liability, as well. In addition, a number of states have adopted their own false claims and whistleblower provisions whereby a private party may file a civil lawsuit in state court. Following the acquisition of one or more clinics or staffing primary healthcare practitioners in the United States, we will be required to provide information to our employees and certain contractors about state and federal false claims laws and whistleblower provisions and protections.

Civil Monetary Penalties Statute

The federal Civil Monetary Penalties statute prohibits, among other things, the offering or giving of remuneration to a Medicare or Medicaid beneficiary that the person or entity knows or should know is likely to influence the beneficiary's selection of a particular provider or supplier of items or services reimbursable by a federal or state healthcare program.

The scope and enforcement of each of these laws is uncertain and subject to constant change. Federal and state enforcement entities have significantly increased their scrutiny of healthcare companies and providers which has led to investigations, prosecutions, convictions and large settlements. Following the acquisition of one or more clinics or staffing primary healthcare practitioners in the United States, although we intend to conduct our business in compliance with all applicable United States federal and state fraud and abuse laws, many of these laws are broadly worded and may be interpreted or applied in ways that cannot be predicted with any certainty. Therefore, we cannot assure you that our arrangements or business practices will not be subject to government scrutiny or will be found to be in compliance with applicable fraud and abuse laws. Further, responding to investigations can be time consuming and result in significant legal fees and can potentially divert management's attention from the Company.

Following the intended acquisition, or opening, of one or more clinics or staffing primary healthcare practitioners in the United States, we will be subject to the data privacy, security and breach notification requirements of HIPAA, HITECH and other data privacy and security laws, and the failure to comply with these rules, or allegations that we have failed to do so, could result in civil or criminal sanctions.

Following the intended acquisition, or opening, of one or more multidisciplinary primary healthcare clinics or the staffing of multidisciplinary primary healthcare clinics, affiliate clinics or eldercare centric homes with clinicians and practitioners in the United States, numerous federal and state laws and regulations, including HIPAA and HITECH, will govern the collection, dissemination, security, use and confidentiality of patient-identifiable health information. As required by HIPAA, HHS has adopted standards to protect the privacy and security of this health-related information. The HIPAA privacy regulations contain detailed requirements concerning the use and disclosure of individually identifiable health information and the grant of certain rights to patients with respect to such information by "covered entities." The Company and each of our clinics is considered a covered entity under HIPAA. We will take actions to comply with the HIPAA privacy regulations including the creation and implementation of policies and procedures, staff training, execution of HIPAA-compliant contractual arrangements with certain service providers and various other measures. Although we believe we will be in substantial compliance, ongoing implementation and oversight of these measures involves significant time, effort and expense.

In addition to the privacy requirements, HIPAA covered entities must implement certain administrative, physical, and technical security standards to protect the integrity, confidentiality and availability of certain electronic health-related information received, maintained, or transmitted by covered entities or their business associates. Although, we will take actions in an effort to be in compliance with these security regulations, a security incident that bypasses our information security systems causing an information security breach, loss of PHI or other data subject to privacy laws or a material disruption of our operational systems could have a material adverse effect on our business, along with fines. Furthermore, ongoing implementation and oversight of these security measures involves significant time, effort and expense.

Further, HITECH, as implemented in part by an omnibus final rule published in the Federal Register on January 25, 2013, further requires that patients be notified of any unauthorized acquisition, access, use, or disclosure of their unsecured PHI that compromises the privacy or security of such information. HHS has established the presumption that all unauthorized uses or disclosures of unsecured PHI constitute breaches unless the covered entity or business associate establishes that there is a low probability the information has been compromised. HITECH and implementing regulations specify that such notifications must be made without unreasonable delay and in no case later than 60 calendar days after discovery of the breach. Breaches affecting 500 patients or more must be reported immediately to HHS, which will post the name of the breaching entity on its public website. Furthermore, breaches affecting 500 patients or more in the same state or jurisdiction must also be reported to the local media. If a breach involves fewer than 500 people, the covered entity must record it in a log and notify HHS of such breaches at least annually. These breach notification requirements apply not only to unauthorized disclosures of unsecured PHI to outside third parties but also to unauthorized internal access to or use of such PHI.

The scope of the privacy and security requirements under HIPAA was substantially expanded by HITECH, which also increased penalties for violations. Penalties for violations of these laws vary. For instance, penalties for failure to comply with a requirement of HIPAA and HITECH vary significantly, and include significant civil monetary penalties and, in certain circumstances, criminal penalties with fines up to \$250,000 per violation and/or imprisonment. In addition, numerous breach incidents could lead to possible penalties in excess of \$1.68 million. A person who knowingly obtains or discloses individually identifiable health information in violation of HIPAA may face a criminal penalty of up to \$50,000 and up to one-year imprisonment. The criminal penalties increase if the wrongful conduct involves false pretenses or the intent to sell, transfer or use identifiable health information for commercial advantage, personal gain or malicious harm. The amount of penalty that may be assessed depends, in part, upon the culpability of the applicable covered entity or business associate in committing the violation. Some penalties for certain violations that were not due to "willful neglect" may be waived by the Secretary of HHS in whole or in part, to the extent that the payment of the penalty would be excessive relative to the violation. HITECH also authorized state attorneys general to file suit on behalf of residents of their states. Applicable courts may be able to award damages, costs and attorneys' fees related to violations of HIPAA in such cases. HITECH also mandates that the Secretary of HHS conduct periodic compliance audits of a cross-section of HIPAA covered entities and business associates. Every covered entity and business associate is subject to being audited, regardless of the entity's compliance record.

State laws may impose more protective privacy restrictions related to health information and may afford individuals a private right of action with respect to the violation of such laws. Both state and federal laws are subject to modification or enhancement of privacy protection at any time. We are subject to any federal or state privacy-related laws that are more restrictive than the privacy regulations issued under HIPAA. These statutes vary and could impose additional requirements on us and more severe penalties for disclosures of health information. If we fail to comply with HIPAA, similar state laws or any new laws, including laws addressing data confidentiality, security or breach notification, we could incur substantial monetary penalties and substantial damage to our reputation.

States may also impose restrictions related to the confidentiality of personal information that is not considered PHI under HIPAA, including certain identifying information and financial information of our patients. These state laws may impose additional notification requirements in the event of a breach of such personal information. Failure to comply with such data confidentiality, security and breach notification laws may result in substantial monetary penalties.

HIPAA and HITECH also include standards for common healthcare electronic transactions and code sets, such as claims information, plan eligibility and payment information. Covered entities such as the Company and each of our centers will be required to conform to such transaction set standards.

Following the intended acquisition, or opening, of one or more multidisciplinary primary healthcare clinics or the staffing of multidisciplinary primary healthcare clinics, affiliate clinics or eldercare centric homes with clinicians and practitioners in the United States, if we fail to effectively and timely implement electronic health record systems, our operation could be adversely affected.

As required by the American Recovery and Reinvestment Act of 2009, the Secretary of HHS has developed and implemented an incentive payment program for eligible healthcare professionals that adopt and meaningfully use electronic health record, or EHR, technology. HHS uses the Provider Enrollment, Chain and Ownership System, or PECOS, to verify Medicare enrollment prior to making EHR incentive program payments. If our employed professionals are unable to meet the requirements for participation in the incentive payment program, including having an enrollment record in PECOS, we will not be eligible to receive incentive payments that could offset some of the costs of implementing EHR systems. Further, healthcare professionals that fail to demonstrate meaningful use of certified EHR technology are subject to reduced payments from Medicare. System conversions to comply with EHR could be time consuming and disruptive for physicians and employees. Failure to implement EHR systems effectively and in a timely manner could have a material adverse effect on our financial position and results of operations.

Following the intended acquisition, or opening, of one or more clinics or staffing primary healthcare practitioners in the United States, we will convert certain of our clinical and patient accounting information system applications to newer versions of existing applications or altogether new applications. In connection with our implementation and conversions, we will likely incur capitalized costs and additional training and implementation expenses.

If we fail to comply with laws and regulations related to the protection of the environment and human health and safety, we could incur substantial penalties and fines.

We are subject to various federal, state and local and regulations relating to the protection of the environment and human health and safety, including those governing the management and disposal of hazardous substances and wastes, the cleanup of contaminated sites and the maintenance of a safe workplace. Some of our operations include the use, generation and disposal of hazardous materials. We also plan to acquire ownership in new facilities and properties, some of which may have had a history of commercial or other operations. We may, in the future, incur liability under environmental statutes and regulations with respect to contamination of sites we own or operate, including contamination caused by prior owners or operators of such sites, abutters or other persons, and the off-site disposal of hazardous substances. Violations of these laws and regulations may result in substantial civil penalties or fines.

Risks Related to our Telemedicine Medical Technology Platform, Remote Patient Monitoring Medical Technology Platform and Novo Connect Medical Technology Platform

We may be unsuccessful in the development, usage, application and commercialization of each or all of our Medical Technology Platforms

Our Telemedicine Medical Technology Platform, which is currently operating with limited usage and remains primarily under development, is intended to provide patients with real-time access to third-party primary care medically licensed physicians and specialists in various disciplines as well as multidisciplinary health care clinicians. Telemedicine is transforming traditional approaches to all components of the health industry by providing ease of access and reduced costs for patients, particularly in areas with limited access to primary care licensed physicians, nurses, nurse practitioners, specialists and multidisciplinary primary care clinicians. Our advanced Telemedicine Medical Technology Platform intends to integrate certain medical devices, such as a blood pressure reading device, a derma scope and an ophthalmoscope otoscope, each of which can provide the doctor with real-time diagnostic data, greatly enhancing the doctor's ability to provide the patient with an accurate diagnosis. Our Telemedicine Medical Technology Platform is intended to allow any type of health care clinic or location to install and utilize our Telemedicine Medical Technology Platform at a relatively low-cost point of entry.

Our Remote Patient Monitoring Medical Technology Platform, which is currently operating with limited usage and remains primarily under development, is intended to empower a patient with real-time vital sign information while maintaining a direct technology link from patient to clinician or medical practitioner. The transfer of vital information from home to clinic or patient to clinician allows for the delivery of high quality, non-redundant diagnostic based proactive healthcare. We intend to expand our RPM Platform to not only our Canadian clinics and affiliate clinics but to clinics and medically licensed providers throughout Canada and the United States.

Our Novo Connect Medical Technology Platform is currently in development and limited commercialization. Novo Connect is intended to be a cloud-based app designed as a secure patient-centered portal which will allow the integration of numerous source systems for patient interface by facilitating communication between the patient and the patient's provider. The Novo Connect app will be developed for Web, iOS and Android application to optimize communication between source systems. Novo Connect is being designed to allow patients to have direct control of their overall healthcare and wellness by providing a suite of secure, reliable engagement features.

The success of our Medical Technology Platforms will highly be dependent upon our ability to develop relationships with both Canadian based and United States based medically licensed primary care providers and specialist in addition to multidisciplinary primary health care clinicians.

Our success will highly be dependent upon our ability to develop relationship with our patients, primary care medically licensed physicians, nurse practitioners, and specialists in addition to multidisciplinary primary health care clinicians and practitioners. If we cannot generate relationships with these medical professionals to translate into service contracts or licensing agreements for our Medical Technology Platforms, we may need to cease the development and commercialization of each or all Medical Technology Platform.

Our Medical Technology Platforms may not be accepted in the Canadian and United States marketplace.

Uncertainty exists as to whether our Medical Technology Platforms will be accepted by potential users; including, but not limited to third-party Canadian based and United States based primary care medically licensed physicians and specialists in various medical disciplines, multidisciplinary primary care clinicians and practitioners; as well as patients. A number of factors may limit the market acceptance of our Medical Technology Platforms including the price relative to other product offerings. There is a risk that primary care medically licensed physicians and specialists, multidisciplinary primary health care clinicians or patient acceptance will be encouraged to continue to use other products and/or methods instead of ours. We are assuming that, notwithstanding the fact that our Medical Technology Platforms will be new in the market, primary care medically licensed physicians and specialists, multidisciplinary health care clinicians, or patient acceptance will elect not to use each or all of our Medical Technology Platforms simply because it will provide ease of access and reduced costs for patients.

Primary care medically licensed physicians and specialists, multidisciplinary health care clinicians and patients need to be persuaded that our Medical Technology Platform services are justified for the anticipated benefit, but there is no assurance that sufficient numbers of patients will be convinced to enable a successful market to develop for each or all of our Medical Technology Platforms.

In the event that we are not able to market and significantly increase the number of primary care medically licensed physicians and specialists, multidisciplinary health care clinicians, or patients that use our Medical Technology Platforms, or if we are unable to charge the necessary prices, we may need to cease operating each or all of our Medical Technology Platforms.

Defects or malfunctions in our Medical Technology Platforms could hurt our reputation, sales and profitability.

The acceptance of our Medical Technology Platforms will depend upon their effectiveness and reliability. Each of our Medical Technology Platforms will be complex and will be continually modified and improved, and as such may contain undetected defects or errors when first introduced or as new versions are released. To the extent that defects or errors cause each or all of our Medical Technology Platforms to malfunction and our customers' use of our Medical Technology Platforms is interrupted, our reputation could suffer, and our potential revenues could decline or be delayed while such defects are remedied. We may also be subject to liability for the defects and malfunctions.

There can be no assurance that, despite our testing, errors will not be found in each or all of our Medical Technology Platforms or new releases, resulting in loss of future revenues or delay in market acceptance, diversion of development resources, damage to our reputation, adverse litigation, or increased service, any of which would have a material adverse effect upon our business, operating results and financial condition.

Software failures, breakdowns in the operations of our servers and communications systems or the failure to implement system enhancements could harm our business.

The operational success of our Medical Technology Platforms will depend on the efficient and uninterrupted operation of our servers and communications systems. A failure of our network or data gathering procedures could impede services and could result in the loss of primary care medically licensed physician and specialists, multidisciplinary primary care clinicians or patients. While all our operations will have disaster recovery plans in place, they might not adequately protect us. Despite any precautions we take, damage from fire, floods, hurricanes, power loss, telecommunications failures, computer viruses, break-ins and similar events at our computer facilities could result in interruptions in the flow of data to our servers and from our servers to our clients. In addition, any failure by our computer environment to provide our required data communications capacity could result in interruptions in our service. In the event of a server failure, we could be required to transfer our client data collection operations to an alternative provider of server hosting services. Such a transfer could result in delays in our ability to deliver our products and services to our clients.

Additionally, significant delays in the planned delivery of system enhancements, improvements, and inadequate performance of the systems once they are completed could damage our reputation and harm our business. Long-term disruptions in the infrastructure caused by events such as natural disasters, the outbreak of war, the escalation of hostilities and acts of terrorism, particularly involving cities in which we have offices, could adversely affect our businesses. Although, we plan to carry property and business interruption insurance for our business operations, our coverage might not be adequate to compensate us for all losses that may occur.

We face risks related to the storage of customers' and their end users' confidential and proprietary information.

Our Medical Technology Platforms are being designed to maintain the confidentiality and security of our patients' confidential and proprietary data stored on our server systems, which may include sensitive personal data. However, any accidental or willful security breaches or other unauthorized access to these data could expose us to liability for the loss of such information, time-consuming and expensive litigation and other possible liabilities as well as negative publicity. Techniques used to obtain unauthorized access or to sabotage systems change frequently and generally are difficult to recognize and react to. We may be unable to anticipate these techniques or implement adequate preventative or reactionary measures.

We might incur substantial expense to further develop each or all of our Medical Technology Platforms which may never become sufficiently successful.

Our business growth initiatives include the successful development, launch and operations of each and all of our Medical Technology Platforms. Although management will take every precaution to ensure that our Medical Technology Platforms will, with a high degree of likelihood, achieve commercial success, there can be no assurance that this will be the case. The causes for failure of each or all of our Medical Technology Platforms, once commercialized, can be numerous, including:

- market demand for each or all of our Medical Technology Platforms proves to be smaller than we expect;
- further each or all of our Medical Technology Platform's development (i) turns out to be costlier than anticipated or takes longer; (ii) requires significant adjustment post commercialization, rendering the each or all of our Medical Technology Platforms uneconomic or extending considerably the likely investment return period; (iii) additional regulatory requirements may increase the overall costs of the development; patent conflicts or unenforceable intellectual property rights; and (iv) primary care medically licensed physicians and specialists and clients may be unwilling to adopt and/or use each or all of our Medical Technology Platforms.
- Compliance with changing regulations concerning corporate governance and public disclosure may result in additional expenses.

We cannot be certain that we will obtain patents for each or all of our Medical Technology Platforms or that such patent will protect us from competitors.

We believe that our success and competitive position will depend in part on our ability to obtain and maintain patents for each or all of our Medical Technology Platforms, which is both costly and time consuming. We still are in the process to evaluate the patent potential of each and all of our Medical Technology Platforms. The Patent Office typically requires 12-24 months or more to process a patent application. There can be no assurance that any of our potential patent applications will be approved. There can be no assurance that any potential patent issued or licensed to us will provide us with protection against competitive products, protect us against changes in industry trends which we have may not have anticipated or otherwise protect the commercial viability of each or all of our Medical Technology Platforms, or that challenges will not be instituted against the validity or enforceability of any of our future patents or, if instituted, that such challenges will not be successful. The cost of litigation to uphold the validity of a patent and enforce it against infringement can be substantial. Even issued patents may later be modified or revoked by the Patent and Trademark Office or in legal proceedings. Patent applications in the United States and Canada are maintained in secrecy until the patent issues and, since publication of patents tends to lag actual discoveries, we cannot be certain that if we obtain patents for our product, we were the first creator of the inventions covered by a pending patent applications or the first to file patent applications on such inventions.

Government regulation of the Internet and e-commerce is evolving, and unfavorable changes could substantially harm our business and results of operations.

We are subject to general business regulations and laws as well as federal, state and provincial regulations and laws specifically governing the internet and e-commerce. Existing and future laws and regulations may impede the growth of the use of the internet, availability of economic broadband access, or other online services, and increase the cost of providing our digital delivery of content and services. These regulations and laws may cover taxation, tariffs, user privacy, data protection, pricing, content, copyrights, distribution, electronic contracts and other communications, consumer protection, broadband internet access and the characteristics and quality of services. It is not clear how existing laws governing issues such as property ownership, sales, use and other taxes, libel and personal privacy apply to the internet and e-commerce. Unfavorable resolution of these issues may harm our business and results of operations.

Risks Related to the United States Regulatory System as to Medicinal CBD Products

Possible yet unanticipated changes in federal and state law could cause any products that we intend to launch, containing hemp-derived CBD oil to be illegal, or could otherwise prohibit, limit or restrict any of our prospective products containing CBD.

Until 2014, when 7 U.S. Code § 5940 became federal law as part of the Agricultural Act of 2014 (the “2014 Farm Act”), products containing oils derived from hemp, notwithstanding a minimal or non-existing THC content, were classified as Schedule I illegal drugs. The 2014 Farm Act expired on September 30, 2018, and was thereafter replaced by the Agricultural Improvement Act of 2018 on December 20, 2018 (the “2018 Farm Act”), which amended various sections of the U.S. Code, thereby removing hemp, defined as cannabis with less than 0.3% of THC, from Schedule 1 status under the Controlled Substances Act (“CSA”), and legalizing the cultivation and sale of hemp at the federal level, subject to compliance with certain federal requirements and state law, amongst other things. THC is the psychoactive component of plants in the cannabis family generally identified as marihuana or marijuana. We anticipate our prospective medical CBD products will be federally legal in the United States in that they will contain less than 0.3% of THC in compliance with the 2018 Farm Bill guidelines and will have no psychoactive effects on our patients and customers bodies. Notwithstanding, there is no assurance that the 2018 Farm Act will not be repealed or amended such that our products containing hemp-derived CBD would once again be deemed illegal under federal law.

The 2018 Farm Bill also shifted regulatory authority from the Drug Enforcement Administration to the Department of Agriculture. The 2018 Farm Bill did not change the United States Food and Drug Administration’s (“FDA”) oversight authority over CBD products. The 2018 Farm Act delegated the authority to the states to regulate and limit the production of hemp and hemp derived products within their territories. Although many states have adopted laws and regulations that allow for the production and sale of hemp and hemp derived products under certain circumstances, no assurance can be given that such state laws may not be repealed or amended such that our intended products containing hemp-derived CBD would once again be deemed illegal under the laws of one or more states now permitting such products, which in turn would render such intended products illegal in those states under federal law even if the federal law is unchanged. In the event of either repeal of federal or of state laws and regulations, or of amendments thereto that are adverse to our prospective medicinal CBD products, we may be restricted or limited with respect to those products that we may sell or distribute, which could adversely impact our intended business plan with respect to such intended products.

Additionally, the FDA has indicated its view that certain types of products containing CBD may not be permissible under the United States Federal Food, Drug and Cosmetic Act (“FDCA”). The FDA’s position is related to its approval of Epidiolex, a marijuana-derived prescription medicine to be available in the United States. The active ingredient in Epidiolex is CBD. On December 20, 2018, after the passage of the 2018 Farm Bill, FDA Commissioner Scott Gottlieb issued a statement in which he reiterated the FDA’s position that, among other things, the FDA requires a cannabis product (hemp-derived or otherwise) that is marketed with a claim of therapeutic benefit, or with any other disease claim, to be approved by the FDA for its intended use before it may be introduced into interstate commerce and that the FDCA prohibits introducing into interstate commerce food products containing added CBD, and marketing products containing CBD as a dietary supplement, regardless of whether the substances are hemp-derived. Although our prospective medicinal CBD product offerings will comply with applicable federal and state laws and regulations, legal proceedings alleging violations of such laws could have a material adverse effect on our business, financial condition and results of operations.

FDA regulation could negatively affect the hemp industry, which would directly affect our financial condition.

The FDA may seek expanded regulation of hemp under the FDCA. Additionally, the FDA may issue rules and regulations, including certified good manufacturing practices, or cGMP's, related to the growth, cultivation, harvesting and processing of hemp. Clinical trials may be needed to verify efficacy and safety. It is also possible that the FDA would require that facilities where hemp is grown register with the FDA and comply with certain federally prescribed regulations. In the event some or all of these regulations are imposed, we do not know what the impact would be on the hemp industry, including what costs, requirements and possible prohibitions may be enforced. If we or our partners are unable to comply with the regulations or registration as prescribed by the FDA, we and/or our partners (including C2M) may be unable to continue to operate their and our business in its current or planned form or at all.

Sources of hemp-derived CBD depend upon legality of cultivation, processing, marketing and sales of products derived from those plants under state law of the United States.

Hemp-derived CBD can only be legally produced in states that have laws and regulations that allow for such production and that comply with the 2018 Farm Act, apart from state laws legalizing and regulating medical and recreational cannabis or marijuana, which remains illegal under federal law and regulations. Initially, we intend to use hemp-derived CBD from growers and processors in Canada where such production is legal to produce our prospective medicinal CBD products. Although hemp and hemp seeds may legally be imported into the United States, the importation of products containing THC, including CBD products, into the United States may be illegal if the CBD products cause THC to enter the human body. In that case, we will be required to purchase all our hemp-derived prospective medicinal CBD products from licensed growers and processors in states in the United States where such production is legal. In addition, as described in the preceding risk factor, in the event of repeal or amendment of laws and regulations which are now favorable to the cannabis/hemp industry in such states, we would be required to locate new suppliers in states with laws and regulations that qualify under the 2018 Farm Act. If we were to be unsuccessful in arranging new sources of supply of our raw ingredients, or if our raw ingredients were to become legally unavailable, our intended business plan with respect to such products could be adversely impacted.

Because our distributors may only sell and ship our products containing hemp-derived CBD in states that have adopted laws and regulations qualifying under the 2018 Farm Act, a reduction in the number of states having such qualifying laws and regulations could limit, restrict or otherwise preclude the sale of intended products containing hemp-derived CBD.

The interstate shipment of hemp-derived CBD from one state to another is legal only where both states have laws and regulations that allow for the production and sale of such products and that qualify under the 2018 Farm Act. Therefore, the marketing and sale of our intended products containing hemp-derived CBD is limited by such factors and is restricted to such states. Although we believe we may lawfully sell any of our finished products, including those containing CBD, in a majority of states, a repeal or adverse amendment of laws and regulations that are now favorable to the distribution, marketing and sale of finished products we intend to sell could significantly limit, restrict or prevent us from generating revenue related to our products that contain hemp-derived CBD. Any such repeal or adverse amendment of now favorable laws and regulations could have an adverse impact on our business plan with respect to such products.

Due to projected expansion into the CBD industry, we may have a difficult time obtaining the various insurances that are desired to operate our business, which may expose us to additional risk and financial liability.

Insurance that is otherwise readily available, such as general liability, and directors and officer's insurance, may become more difficult for us to find, and more expensive, due to our intended launch of certain medically related products containing hemp-derived CBD. There are no guarantees that we will be able to find such insurances in the future, or that the cost will be affordable to us. If we are forced to go without such insurances, it may prevent us from entering into certain business sectors, may inhibit our growth, and may expose us to additional risk and financial liabilities.

Our products may not meet health and safety standards or could become contaminated.

We have adopted various quality, environmental, health and safety standards. We do not have control over all the third parties involved in the manufacturing of our products and their compliance with government health and safety standards. Even if our products meet these standards, they could otherwise become contaminated. A failure to meet these standards or contamination could occur in our operations or those of our manufacturers, distributors, or suppliers. This could result in expensive production interruptions, recalls and liability claims. Moreover, negative publicity could be generated from false, unfounded, or nominal liability claims or limited recalls. Any of these failures or occurrences could negatively affect our business and financial performance.

The sale of our products involves product liability and related risks that could expose us to significant insurance and loss expenses.

We face an inherent risk of exposure to product liability claims if the use of our products results in, or is believed to have resulted in, illness or injury. Our products contain combinations of ingredients, and there is little long-term experience with the effect of these combinations. In addition, interactions of these products with other products, prescription medicines and over-the-counter drugs have not been fully explored or understood and may have unintended consequences. While our third-party manufacturers perform tests in connection with the formulations of our products, these tests are not designed to evaluate the inherent safety of our products.

Any product liability claim may increase our costs and adversely affect our revenue and operating income. Moreover, liability claims arising from a serious adverse event may increase our costs through higher insurance premiums and deductibles and may make it more difficult to secure adequate insurance coverage in the future. In addition, our product liability insurance may fail to cover future product liability claims, which, if adversely determined, could subject us to substantial monetary damages.

Confusion between legal CBD and illegal Cannabis

There is the risk that confusion or uncertainty surrounding products that are offered with regulated cannabis could occur on the state or federal level and impact us. We may have difficulty with establishing banking relationships, working with investment banks and brokers who would be willing to offer and sell our securities or accept deposits from shareholders, and auditors willing to certify our financial statements if we are confused with businesses that are in the cannabis business. Any of these additional factors, should they occur, could also affect our business, prospects, assets or results of operation could have a material adverse effect on the business, prospects, results of operations or financial condition of the Company.

Risks Related to our Common Stock and our Status as a Public Company

As a result of being a public company, we are subject to additional reporting and corporate governance requirements that will require additional management time, resources, and expense.

As a public company we are obligated to file with the SEC annual and quarterly information and other reports that are specified in the Securities Exchange Act of 1934, as amended (the "Exchange Act"). We are also subject to other reporting and corporate governance requirements under the Sarbanes-Oxley Act of 2002, as amended, and the rules and regulations promulgated thereunder, all of which impose significant compliance and reporting obligations upon us and require us to incur additional expense in order to fulfill such obligations.

Our stock price is likely to be highly volatile because of several factors, including a limited public float.

The market price of our common stock has been volatile in the past and the market price of our common stock is likely to be highly volatile in the future. You may not be able to sell shares of our common stock following periods of volatility because of the market's adverse reaction to volatility.

Other factors that could cause such volatility may include, among other things:

- actual or anticipated fluctuations in our operating results;
- the absence of securities analysts covering us and distributing research and recommendations about us;
- we may have a low trading volume for a number of reasons, including that a large portion of our stock is closely held;
- overall stock market fluctuations;
- announcements concerning our business or those of our competitors;
- actual or perceived limitations on our ability to raise capital when we require it, and to raise such capital on favorable terms;
- conditions or trends in the industry;
- litigation;
- changes in market valuations of other similar companies;
- future sales of common stock;
- departure of key personnel or failure to hire key personnel; and
- general market conditions.

Any of these factors could have a significant and adverse impact on the market price of our common stock and/or warrants. In addition, the stock market in general has at times experienced extreme volatility and rapid decline that has often been unrelated or disproportionate to the operating performance of particular companies. These broad market fluctuations may adversely affect the trading price of our common stock and/or warrants, regardless of our actual operating performance.

Our common stock is a "penny stock" under SEC rules. It may be more difficult to sell securities classified as "penny stock."

Our common stock is a "penny stock" under applicable SEC rules (generally defined as non-exchange traded stock with a per-share price below \$5.00). Unless we successfully list our common stock on a national securities exchange, or maintain a per-share price above \$5.00, these rules impose additional sales practice requirements on broker-dealers that recommend the purchase or sale of penny stocks to persons other than those who qualify as "established customers" or "accredited investors." For example, broker-dealers must determine the appropriateness for non-qualifying persons of investments in penny stocks. Broker-dealers must also provide, prior to a transaction in a penny stock not otherwise exempt from the rules, a standardized risk disclosure document that provides information about penny stocks and the risks in the penny stock market. The broker-dealer also must provide the customer with current bid and offer quotations for the penny stock, disclose the compensation of the broker-dealer and its salesperson in the transaction, furnish monthly account statements showing the market value of each penny stock held in the customer's account, provide a special written determination that the penny stock is a suitable investment for the purchaser, and receive the purchaser's written agreement to the transaction.

Legal remedies available to an investor in "penny stocks" may include the following:

- If a "penny stock" is sold to the investor in violation of the requirements listed above, or other federal or states securities laws, the investor may be able to cancel the purchase and receive a refund of the investment.
- If a "penny stock" is sold to the investor in a fraudulent manner, the investor may be able to sue the persons and firms that committed the fraud for damages.

These requirements may have the effect of reducing the level of trading activity, if any, in the secondary market for a security that becomes subject to the penny stock rules. The additional burdens imposed upon broker-dealers by such requirements may discourage broker-dealers from effecting transactions in our securities, which could severely limit the market price and liquidity of our securities. These requirements may restrict the ability of broker-dealers to sell our common stock and may affect your ability to sell our common stock.

Many brokerage firms will discourage or refrain from recommending investments in penny stocks. Most institutional investors will not invest in penny stocks. In addition, many individual investors will not invest in penny stocks due, among other reasons, to the increased financial risk generally associated with these investments.

For these reasons, penny stocks may have a limited market and, consequently, limited liquidity. We can give no assurance at what time, if ever, our common stock will not be classified as a “penny stock” in the future.

If we fail to maintain effective internal control over financial reporting, the price of our securities may be adversely affected.

Our internal control over financial reporting may have weaknesses and conditions that could require correction or remediation, the disclosure of which may have an adverse impact on the price of our common stock. We are required to establish and maintain appropriate internal control over financial reporting. Failure to establish those controls, or any failure of those controls once established, could adversely affect our public disclosures regarding our business, prospects, financial condition or results of operations. In addition, management’s assessment of internal control over financial reporting may identify weaknesses and conditions that need to be addressed in our internal control over financial reporting or other matters that may raise concerns for investors. Any actual or perceived weaknesses and conditions that need to be addressed in our internal control over financial reporting or disclosure of management’s assessment of our internal control over financial reporting may have an adverse impact on the price of our common stock.

We are required to comply with certain provisions of Section 404 of the Sarbanes-Oxley Act and if we fail to continue to comply, our business could be harmed and the price of our securities could decline.

Rules adopted by the SEC pursuant to Section 404 of the Sarbanes-Oxley Act require an annual assessment of internal control over financial reporting, and for certain issuers an attestation of this assessment by the issuer’s independent registered public accounting firm. The standards that must be met for management to assess the internal control over financial reporting as effective are evolving and complex, and require significant documentation, testing, and possible remediation to meet the detailed standards. We expect to incur significant expenses and to devote resources to Section 404 compliance on an ongoing basis. It is difficult for us to predict how long it will take or costly it will be to complete the assessment of the effectiveness of our internal control over financial reporting for each year and to remediate any deficiencies in our internal control over financial reporting. As a result, we may not be able to complete the assessment and remediation process on a timely basis. In the event that our Chief Executive Officer or Principal Financial Officer determines that our internal control over financial reporting is not effective as defined under Section 404, we cannot predict how regulators will react or how the market prices of our securities will be affected; however, we believe that there is a risk that investor confidence and the market value of our securities may be negatively affected.

Shares eligible for future sale may adversely affect the market.

From time to time, certain of our stockholders may be eligible to sell all or some of their shares of common stock by means of ordinary brokerage transactions in the open market pursuant to Rule 144 promulgated under the Securities Act, subject to certain limitations. In general, pursuant to Rule 144, non-affiliate stockholders may sell freely after six months, subject only to the current public information requirement. Affiliates may sell after six months, subject to the Rule 144 volume, manner of sale (for equity securities), current public information, and notice requirements. Of the approximately 144,257,518 shares of our common stock outstanding as of March 31, 2023, approximately 116,741,592 shares are tradable without restriction. Given the limited trading of our common stock, resale of even a small number of shares of our common stock pursuant to Rule 144 or an effective registration statement may adversely affect the market price of our common stock.

Substantial future sales of shares of our common stock could cause the market price of our common stock to decline.

The market price of shares of our common stock could decline as a result of substantial sales of our common stock, particularly sales by our directors, executive officers and significant stockholders, a large number of shares of our common stock becoming available for sale or the perception in the market that holders of a large number of shares intend to sell their shares.

Provisions of our amended and restated articles of incorporation and bylaws may delay or prevent a takeover which may not be in the best interests of our stockholders.

Provisions of our amended and restated articles of incorporation and our bylaws, as amended, may be deemed to have anti-takeover effects, which include when and by whom special meetings of our stockholders may be called, and may delay, defer or prevent a takeover attempt. Further, our amended and restated articles of incorporation authorize the issuance of up to 1,000,000 shares of preferred stock with such rights and preferences as may be determined from time to time by our board of directors in their sole discretion. Our board of directors may, without stockholder approval, issue series of preferred stock with dividends, liquidation, conversion, voting or other rights that could adversely affect the voting power or other rights of the holders of our common stock.

We do not expect to pay dividends in the foreseeable future.

We do not intend to declare dividends for the foreseeable future, as we anticipate that we will reinvest any future earnings in the development and growth of our business. Therefore, investors will not receive any funds unless they sell their common stock, and stockholders may be unable to sell their shares on favorable terms. We cannot assure you of a positive return on investment or that you will not lose the entire amount of your investment in our common stock.

Risk Factors Related to Product Manufacturing

We may be unable to obtain raw materials for our current and planned products due to unexpected shortages, lack of availability, increased costs and price fluctuations, which could limit our ability to manufacture any products and could adversely affect our sales and results of operations.

We currently manufacture nutraceutical products that we sell to private label customers, and we also plan to begin manufacturing and selling our own branded nutraceutical products. The principal raw materials used in the manufacturing process in the Company's current and planned nutraceutical business include vitamins and minerals both of natural and synthetic source, herbal ingredients and vegetable/fruit powders/extracts either natural or certified organic, other nutritional supplements such as soft-gel, capsules and tablets in bulk form, powdered proteins either regular, plant or certified organic, powdered amino acid and energy/muscle building ingredients, vegetable and gelatin capsules, processing excipients, coating materials, and the necessary components for packaging the finished products.

The raw materials are available from numerous sources within the United States, Canada and abroad as are the vegetable and gelatin capsules, coating materials and packaging materials. However, the availability of such raw materials is subject to change. For example an unexpected interruption of supply or a significant increase in the cost of raw materials we need, for any reason, such as regulatory requirements, changes in governmental trade and agricultural programs, increased global competition for resources and consumer demand, import restrictions, loss of certifications or licenses, disruption of distribution channels as a result of weather, terrorism or acts of war, fire, earthquake, or other natural or man-made disaster, a work stoppage or other labor-related disruption, failure in supply or other logistical channels, electrical outages, or other events, could result in significant cost increases and/or shortages of our current and planned products. Additionally, the prices of packaging materials and freight are subject to fluctuations which would cause the Company's costs to increase and would also cause the Company to increase our prices. If our competitors do not also increase their prices, customers and consumers may choose to purchase competing products or may shift purchases to lower-priced private label or other value offerings which may adversely affect the Company's results of operations. Further, we currently use, as well as plan to use pouches which are prepared by third parties in the manufacturing of our current and planned products, and such pouches may either become unavailable or may become damaged by the third parties that prepare them. Our inability to obtain adequate supplies of raw materials in a timely manner or a material increase in the price of the raw materials used in our products due to any of the foregoing, could limit our ability to manufacture any products and could have a material adverse effect on our business, financial condition and results of operations.

Our planned acquisition of raw materials from international sources subjects us to risk from currency fluctuations.

We plan in part to acquire raw materials from international sources, which subjects us to risks from currency fluctuations, such as changes in foreign exchange rates. For example, if the value of a foreign currency used to purchase from an international supplier were to increase compared to the value of the U.S. dollar, we could receive less value for purchases of raw materials when purchasing in such other country, which could force us to increase our prices, or settle for lower margins on our product sales. If either of these outcomes occur, our results of operations may be harmed.

Our business is subject to inherent risks relating to product liability and personal injury claims, our quality control processes may fail to detect issues in the ingredients we use to make our products and our product liability insurance may be insufficient to cover possible claims against us which would adversely affect our operating results.

Our Company, like other manufacturers, wholesalers and distributors of nutraceutical products, faces an inherent risk of exposure to product liability and personal injury claims if, among other things, the use or ingestion of our products, results in sickness or injury. Our current products consist of tablets, powdered beverages, dietary supplements, pain creams, liquids, gels, minerals, herbs and other ingredients that are classified as foods or dietary supplements. If the materials that we use to create these current products or our planned products are contaminated and if our quality control processes fail to detect issues in these materials, we may be obligated to recall affected products, and if we are found liable for product liability or personal injury claims, we could be required to pay substantial monetary damages. Further, even if we successfully defend ourselves against this type of claim, we could be required to spend significant management, financial and other resources, which could disrupt our business and harm our reputation. We currently maintain a product liability insurance policy that provides up to CAD\$5 million in product liability coverage. However, there can be no assurance that our existing or future insurance coverage will be sufficient to cover any possible product liability risks or that such insurance will continue to be available to us on economically feasible terms. In the event that any of the foregoing occurs, we risk the loss of net revenues, increased administrative costs and will likely suffer an adverse effect on our operating results.

We do not have any long-term contracts with our suppliers or with our customers, and we do not have many written contracts with our customers, and if we can't maintain these relationships or if we or our suppliers experience manufacturing problems or delays, our financial results will be negatively affected.

We do not have any long-term contracts with our suppliers or with our customers for our current or planned products. We also do not have many written contracts with our customers. There can be no assurance that these suppliers will continue to sell to us on prior or current terms, or at all and likewise there can also be no assurance that our customers will continue to purchase from us or that we can obtain customers to purchase our planned products. We may not be able to maintain our relationships with our suppliers and customers, or we may be unable to find alternate suppliers or customers in a timely fashion. Should this occur, our revenues and results of operations will be negatively affected. Additionally, we or our suppliers may encounter unforeseen delays or shortfalls in manufacturing, and our suppliers' production processes may have to change to accommodate any significant future expansion of our manufacturing capacity, which may increase our or our suppliers' manufacturing costs, delay production of our current and planned products, reduce our product gross margin and adversely impact our business. If we are unable to keep up with demand for our current and planned products by maintaining our relationships with our suppliers or successfully manufacturing and shipping our products in a timely manner, our revenue could be impaired, market acceptance for our current and planned products could be adversely affected and our customers might instead purchase our competitors' products. In addition, developing manufacturing procedures for new products may require developing specific production processes for those products. Developing such processes could be time consuming and any unexpected difficulty in doing so can delay the introduction of a product.

Our revenues are highly dependent upon two private label distributor customers.

Our revenues are concentrated and highly dependent on two private label distributor customers which comprise most of our revenues from our current manufacturing operations. All sales made under a private label relationship are made on a purchase order basis and there are no long-term contracts with respect to any private label relationships. There can be no assurance that our existing private label relationships will continue in the future or that we will be able to obtain new private label relationships on an ongoing basis, if at all. Our private label customers can reduce the products they order from us or cease ordering products from us at any time without notice. There can be no assurance that these private label customers will continue to place orders with us, that orders by such customers will continue at their previous levels or that we can replace any such lost business. Should this occur, our revenues and results of operations will be negatively affected.

Our business is subject to numerous laws and regulations and compliance with existing, as well as new laws and regulations, could increase our costs significantly and adversely affect our financial results.

The processing, formulation, manufacturing, packaging, labeling, advertising, sale and distribution of our current and planned nutraceutical products are subject to regulation by several U.S. federal agencies, including the Food and Drug Administration ("FDA"), the Federal Trade Commission ("FTC"), the Consumer Product Safety Commission, the Department of Agriculture and the Environmental Protection Agency, as well as various state, local and international laws and agencies of the localities in which our current and planned products are, and will be, manufactured and sold. For example, the FDA regulates our products to ensure that the products are not adulterated or misbranded. Failure to comply with FDA requirements may result in, among other things, injunctions, product withdrawals, recalls, product seizures, fines and criminal prosecutions. Additionally, once we begin direct sales and marketing of our planned Company branded products, our advertising will be subject to regulation by the FTC. In recent years, the FTC has initiated numerous investigations of dietary and nutrition supplement products and companies. Further some states also permit advertising and labeling laws to be enforced by attorney generals, who may seek relief for consumers, seek class action certifications, seek class wide damages and product recalls of products sold by us. Compliance with these government regulations may prevent or delay the introduction, or require the reformulation, of our current and planned products, and additionally these governmental authorities may commence regulatory or legal proceedings against us which could restrict the permissible scope of our current or planned product or the ability to sell our products in the future. Additionally, any such government actions would result in costs to us, including lost revenues from any additional products that we are required to remove from the market, which additional costs could be material. Any such government actions also could lead to liability and reduced growth prospects. Moreover, there can be no assurance that new laws or regulations imposing more stringent regulatory requirements on the nutraceutical industry will not be enacted which could require reformulation of certain products to meet new standards, recalls or discontinuance of certain products that cannot be reformulated, additional record-keeping requirements, increased documentation of the properties of certain products, additional or different labeling, additional scientific substantiation, adverse event reporting or other new requirements. If our operations are found to be in violation of any laws or any other governmental regulations that apply to us, or if we are unable to keep up with changing laws and regulations, we may be subject to penalties, including, without limitation, civil and criminal penalties, damages, fines, the curtailment or restructuring of our operations, any of which could adversely affect our ability to operate our business and our financial results.

We may be involved in lawsuits or proceedings to protect or enforce our intellectual property rights or to defend against infringement claims, which could be expensive and time consuming. Additionally, our inability to protect our intellectual property rights could reduce the value of our current and planned products.

Our business is dependent in part upon our ability to use intellectual property rights to protect our current and planned products from competition and on our products not infringing on the patents and proprietary rights of other parties. To protect our current and planned products, we rely, and intend to rely on a combination of trade secrets, patent and other intellectual property laws, employment, confidentiality and invention assignment agreements with our employees and contractors, and confidentiality agreements and protective contractual provisions with our partners, licensors and other third parties. These methods, however, afford us only limited protection against competition from other products. Also, we cannot ensure that our formulas and proprietary information, are not leaked to other parties by anyone that obtains access to same. To date, none of our current or planned formulas are patented, although we maintain manufacturing trade secrets, we believe that most competent manufacturers have the skillset necessary to replicate such formulas. As such, third parties could copy our products or sell similar products to our distributors and/or customers. Our competitors may have or develop equivalent or superior manufacturing and design skills and may develop an enhancement to our formulations that will be patentable or otherwise protected from duplication by others. We may also infringe on the patents of other parties. Litigation may be necessary to enforce our intellectual property rights, protect our trade secrets or determine the validity and scope of the proprietary rights of others. Litigation or interference proceedings could result in substantial costs and diversion of resources and management attention. In addition, in an infringement proceeding, a court may decide that a patent of ours, if we obtain any patents in the future, is not valid or is unenforceable or may refuse to stop the other party from using the technology at issue on the grounds that our patents do not cover the technology. An adverse determination of any litigation or defense proceedings could put one or more of our patents, if we acquire any in the future, at risk of being invalidated or interpreted narrowly and could put our patent applications at risk of not issuing. In addition, we may be enjoined from marketing one or more of our current or planned products if a court finds that such products infringe the intellectual property rights of a third party. Further, we may be unable or unwilling to strictly enforce our intellectual property rights, including our trademarks, from infringement. Our inability to obtain and/or failure to enforce our intellectual property rights could diminish the value of our current and planned product offerings and have a material adverse effect on our business, prospects, results of operations, and financial condition.

The commercial success of our planned products is dependent, in part, on factors outside our control.

We currently manufacture nutraceutical products that we sell to private label customers, and we also plan to begin manufacturing and selling our own branded nutraceutical products. The commercial success of our planned products is dependent upon unpredictable and volatile factors beyond our control, such as the success of our competitors' products. Our failure to attract market acceptance and a sustainable competitive advantage over our competitors would materially harm our business.

If we fail to increase our brand recognition, we may face difficulty in obtaining customers for our planned products.

Because we have not yet started selling our own branded products, we currently do not have strong brand identity or brand loyalty. We believe that establishing and maintaining brand identity and brand loyalty is critical to attracting customers once we have commercially viable branded products. Maintaining and enhancing our brand recognition in a cost-effective manner is critical to achieving widespread acceptance of future products and is an important element in our effort to obtain and increase our customer base. Successful promotion of our brand will depend largely on our ability to maintain a sizeable and active customer base, our marketing efforts and our ability to provide reliable and useful products at competitive prices. Brand promotion activities may not yield increased revenue, and even if they do, any increased revenue may not offset the expenses we will incur in building our brand. If we fail to successfully promote and maintain our brand, or if we incur substantial expenses in an unsuccessful attempt to promote and maintain our brand, we may fail to attract enough new customers or retain our existing customers to the extent necessary to realize a sufficient return on our brand-building efforts, in which case our business, operating results and financial condition, would be materially adversely affected.

If our products do not have the healthful effects intended, or if there is adverse publicity or consumer perception of our products and any similar products distributed by others, our reputation could be harmed and our business may suffer.

Many of our current and planned products contain innovative ingredients or combinations of ingredients. There is little long-term experience with human or other animal consumption of certain of these ingredients or combinations thereof in concentrated form. Our current and planned products could have certain side effects if not taken as directed or if taken by a consumer that has certain medical conditions. Furthermore, there can be no assurance that any of the products, even when used as directed, will have the effects intended or will not have harmful side effects. Should our current or planned products cause unwanted side effects or not have the results intended, it could have a material adverse effect on our business, financial condition, and results of operations. Additionally, we believe we are, and will be, highly dependent upon positive consumer perceptions of the safety and quality of our current and planned products as well as similar products distributed by other nutraceutical companies. Consumer perception of nutraceutical and our current and planned products, as well as the products sold by our private label customers, in particular, can be substantially influenced by scientific research or findings, national media attention and other publicity about product use. Adverse publicity from these sources regarding the safety, quality or efficacy of nutraceuticals could have a negative effect on us. The mere publication of news articles or reports asserting that such products may be harmful or questioning their efficacy could have a material adverse effect on our business, financial condition and results of operations, regardless of whether such news articles or reports are scientifically supported or whether the claimed harmful effects would be present at the dosages recommended for such products.

The nutraceuticals industry is highly competitive, and our failure to compete effectively could adversely affect our market share, financial condition, and future growth.

The industry of nutraceutical and wellness-related supplements and products we produce as well as intend to produce is highly competitive with respect to price, brand and product recognition and new product introductions. Several of our competitors are larger, more established and possess greater financial, personnel, distribution and other resources. We face competition (a) from large nationally known manufacturers, private label brands and many smaller manufacturers of dietary and nutrition supplements; and (b) in the mass-market distribution channel from manufacturers, major private label manufacturers and others. Private label brands at mass-market chains represent substantial sources of income for these merchants and the mass-market merchants often support their own labels at the expense of other brands. As such, the growth of our current and planned products within the nutraceutical industry are highly competitive and uncertain. If we cannot compete effectively, we may not be profitable.

The purchase of many of our planned and current products are discretionary and may be negatively impacted by adverse trends in the general economy and make it more difficult for us to generate revenues.

Our business is affected by general economic conditions since our current and planned products are discretionary and we depend, to a significant extent, upon a number of factors relating to discretionary consumer spending. These factors include economic conditions and perceptions of such conditions by consumers, employment rates, the level of consumers' disposable income, business conditions, interest rates, consumer debt levels and availability of credit. Consumer spending on our current and planned products may be adversely affected by changes in general economic conditions. Our operating results are impacted by the health of the North American economies. Our business and financial performance may be adversely affected by current and future economic conditions, such as a reduction in the availability of credit, financial market volatility or recession. Additionally, we may experience difficulties in scaling our operations to react to economic pressures in the United States.

We may not be able to anticipate consumer preferences and trends within the nutraceutical industry, which could negatively affect acceptance of our planned and current products by retailers and consumers and result in a significant decrease in our revenues.

We currently manufacture nutraceutical products that we sell to private label customers, and we also plan to begin manufacturing and selling our own branded nutraceutical products. Our planned and current products must appeal to a broad range of consumers, whose preferences cannot be predicted with certainty and are subject to rapid change. Our products will need to successfully meet constantly changing consumer demands. If our products are not successfully received by our customers, our business, financial condition, results of operations and prospects may be harmed.

We may experience greater than expected product returns, which might adversely affect our sales and results of operations.

We currently manufacture nutraceutical products that we sell to private label customers, and we also plan to begin manufacturing and selling our own branded nutraceutical products. Once we start selling our own branded products, such products may be returned for various reasons, including expiration dates. Any increase in product returns could reduce our results of operations.

An unexpected interruption in our warehousing facilities or if there is a lack of capacity at our warehousing facilities, it could reduce our sales and margins.

We store products in our warehouses that we then ship to other retailers and serve as fulfilling distribution hubs to other retailers. If we run out of capacity, we won't be able to store as many products and may not be able to maintain all products in an efficient manner. Additionally, if there is any unexpected interruption to our warehousing facilities, for any reason, such as loss of certifications or licenses, as a result of weather, terrorism or acts of war, fire, earthquake, or other national disaster, a work stoppage or other labor-related disruption, electrical outages, or other events, it could result in significant reductions to our sales and margins and could have a material adverse effect on our business, financial condition or results of operations.

Any interruption to our distribution channels for our planned products could adversely affect our sales and results of operations.

We currently manufacture nutraceutical products that we sell to private label customers, we also intend to manufacture and sell our own branded products and distribute those products through various distribution channels. Any interruption to our distribution channels for our planned products for any reason, such as disruption of distribution channels as a result of weather, terrorism or acts of war, fire, earthquake, or other national disaster, a work stoppage or other labor-related disruption, could adversely affect our sales and results of operations.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

We currently maintain a corporate address at 11120 NE 2nd Street, Suite 100, Bellevue, Washington 98004. Our telephone number there is (206) 617-9797. We pay no rent or other fees for the use of the Company's corporate address.

Our wholly owned subsidiary, Novo Healthnet Limited, has corporate offices located at 3905 Major MacKenzie Drive, Suite 115, Vaughan Ontario Canada L4H 4J9. This location is approximately 1,160 square feet. The lease expires on June 30, 2023, and it is subject to a 1-year renewal provided the landlord receives notice from the tenant no later than 3-months prior to the lease expiration date. Terms of the lease provide for a base rent payment of CAD\$2,030 (approximately \$2,657 as of August 31, 2022) per month.

Novo Healthnet Limited currently operates our 17 corporate-owned clinics through standard tenancy agreements out of leased properties located at:

- (1) Novo Healthnet Limited (Niagara Falls)
4056 Dorchester Rd., Suites 104 & 105, Niagara Falls, Ontario L2E 6M9, Canada;
- (2) Novo Healthnet Limited (Richmond Hill)
9665 Bayview Ave., Suite 10, Richmond Hill, Ontario L4C 9V4, Canada;
- (3) Novo Healthnet Limited (Windsor)
250 Tecumseh Rd. E., Building 100, Unit 150, Windsor, Ontario N8X 2R3, Canada;
- (4) Back on Track Physio & Health Centres (Scarborough)
8 Glen Watford Drive, Unit G3-G5, Scarborough, Ontario M1S 2C1, Canada;
- (5) Back On Track Physio & Health Centres (Antares)
6 Antares Drive Ph 1, Unit 3, Nepean, Ontario K2E 8A9, Canada;
- (6) Back On Track Physio & Health Centres (Richmond)
6265 Perth St, Richmond, Ontario K0A 2Z0, Canada;
- (7) Back On Track Physio & Health Centres (Hunt Club)
380 Hunt Club Rd. Suite 107, Ottawa, Ontario K1V 1C1, Canada;
- (8) Back On Track Physio & Health Centres (Findlay Creek)
4744 Bank Street, Unit 2, Gloucester, Ontario K1T 0K8, Canada;
- (9) Back On Track Physio & Health Centres (Bells Corners)
2006 Robertson Rd., Unit 2, Nepean, Ontario K2H 1A5, Canada;

- (10) Back On Track Physio & Health Centres (Westboro)
411 Roosevelt Avenue, Unit 309, Ottawa, Ontario K2A 3X9, Canada;
- (11) Back On Track Physio & Health Centres (Manotick)
5230B Mitch Owens Road, Manotick, Ontario K4M 1B2, Canada;
- (12) Back On Track Physio & Health Centres (Carleton Place)
515 McNeely Drive, Unit 3, Carleton Place, Ontario K7C 0A8, Canada;
- (13) Back On Track Physio & Health Centres (Kemptville)
301 Rideau Street, Kemptville, Ontario K0G 1J0, Canada;
- (14) Back On Track Physio & Health Centres (Perth)
9 Eric Devlin Lane, Unit 100, Perth, Ontario K7H 0C4, Canada;
- (15) Back On Track Physio & Health Centres (Rockland)
2741 Chamberland St., Unit 208 Rockland, Ontario K4K 0B8 Canada.
- (16) Fairway Physiotherapy & Sports Injury - Mountdale
620 Arthur St W Unit #4, Thunder Bay, Ontario P7E 5R8 Canada
- (17) Fairway Physiotherapy - NovaCare
1600 Dease St. Thunder Bay, Ontario P7C 5H4 Canada

NHL leases premises for the foregoing 17 corporate-owned clinics, ranging in terms of 0 to 10 years, with monthly lease rates ranging from CAD\$904 (approximately \$1,183 as of August 31, 2022) to CAD\$11,170 (approximately \$14,619 as of August 31, 2022). The aggregate monthly rent for the corporate-owned clinic properties is CAD\$109,575 (approximately \$143,412 as of August 31, 2022). These leases have expiration dates between 2023 and 2031.

We believe that these facilities are suitable and adequate for our current operations.

ITEM 3. LEGAL PROCEEDINGS

Except as set forth herein, as of the filing date of this Annual Report on Form 10-K, there are no material pending legal proceedings, other than ordinary routine litigation incidental to our business, to which we are a party or which our property is the subject. In addition, none of our officers, directors, affiliates or 5% stockholders (or any associates thereof) is a party adverse to us, or has a material interest adverse to us, in any material proceeding.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is traded on the Nasdaq Capital Market under the symbol, "NVOS". Prior to February 23, 2021, our common stock was quoted on the OTC Markets under the symbol, "NVOS." The OTC Market is a computer network that provides information on current "bids" and "asks," as well as volume information.

On March 31, 2023, the closing price of our common stock as reported on the Nasdaq Capital Markets was \$0.1228 and there were approximately 634 shareholders of record. The number of record holders does not include beneficial owners of common stock whose shares are held in the names of banks, brokers, nominees or other fiduciaries.

Dividends, Common Stock and Unregistered Stock Issuances

We have not paid any cash dividends on our common or preferred stock and do not anticipate paying any such cash dividends in the foreseeable future. We intend to retain future earnings, if any, for reinvestment in the development and expansion of our business.

During the fiscal year ended August 31, 2022, the Company engaged in the following stock issuances that were not registered under the Securities Act:

- On September 16, 2021, the Company issued 35,000 restricted shares of common stock as consideration for a Consulting and Services Agreement, valued at \$64,750.
- On November 23, 2021, the Company issued 2,000,000 restricted shares of common stock as collateral to be held in escrow pursuant to the terms and conditions provided for in a certain Securities Purchase Agreement, Pledge and Security Agreement, Secured Convertible Promissory Note, and Escrow Agreement, all dated November 17, 2021 to which the Company is a guarantor for that certain senior secured convertible promissory note in the principal amount of up to \$1,875,000.
- On December 20, 2021, the Company issued 50,000 restricted shares of common stock as consideration for a Consulting Agreement.
- On January 24, 2022, the Company issued 25,000 restricted shares of common stock as consideration for an Independent Contractor Agreement.
- On January 24, 2022, the Company issued 65,000 restricted shares of common stock as consideration for an Independent Contractor Agreement.
- On January 24, 2022, the Company issued 50,000 restricted shares of common stock as consideration for a Consulting Agreement.
- On February 24, 2022, the Company issued 50,000 restricted shares of common stock as consideration for a Consulting Agreement.
- On March 18, 2022, the Company issued 50,000 restricted shares of common stock as consideration for an Independent Contractor Agreement.
- On March 18, 2022, the Company issued 25,000 restricted shares of common stock as consideration for an Independent Contractor Agreement.
- On April 7, 2022, the Company issued 800,000 restricted shares of common stock as consideration for a Membership Interest Purchase Agreement.

- On May 2, 2022, the Company issued 50,000 restricted shares of common stock as consideration for a Consulting Agreement.
- On May 11, 2022, the Company issued 225,000 restricted shares of common stock in exchange for NHL Exchangeable Shares under the terms and conditions of a Share Exchange Agreement which closed on June 24, 2021.
- On July 5, 2022, the Company issued 50,000 restricted shares of common stock as consideration for a Consulting Agreement.
- On July 20, 2022, the Company issued 158,958 restricted shares of common stock in exchange for NHL Exchangeable Shares under the terms and conditions of a Share Exchange Agreement which closed on June 24, 2021.

The above issuances and sales were made pursuant to an exemption from registration as set forth in Section 4(a)(2) of the Securities Act and/or Regulation D and/or Regulation S under the Securities Act.

ITEM 6. RESERVED

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of the financial condition and results of operations of Novo Integrated Sciences, Inc. and its subsidiaries (collectively, the "Company" or "Novo Integrated") should be read in conjunction with our consolidated financial statements and the accompanying notes thereto included elsewhere in this Annual Report on Form 10-K. References in this Management's Discussion and Analysis of Financial Condition and Results of Operations to "us," "we," "our," and similar terms refer to the Company. This Annual Report on Form 10-K includes forward-looking statements, as that term is defined in the federal securities laws, based upon current expectations that involve risks and uncertainties, such as plans, objectives, expectations and intentions. Actual results and the timing of events could differ materially from those anticipated in these forward-looking statements as a result of a number of factors. Words such as "anticipate," "estimate," "plan," "continuing," "ongoing," "expect," "believe," "intend," "may," "will," "should," "could," and similar expressions are used to identify forward-looking statements. We caution you that these statements are not guarantees of future performance or events and are subject to a number of uncertainties, risks and other influences, many of which are beyond our control, which may influence the accuracy of the statements and the projections upon which the statements are based. Reference is made to "Risk Factors", which are included elsewhere in this Annual Report on Form 10-K.

Business Overview

Novo Integrated Sciences, Inc. ("Novo Integrated" or the "Company") was incorporated in Delaware on November 27, 2000, under the name Turbine Truck Engines, Inc. On February 20, 2008, the Company was re-domiciled to the State of Nevada. Effective July 12, 2017, the Company's name was changed to Novo Integrated Sciences, Inc. When used herein, the terms the "Company," "we," "us" and "our" refer to Novo Integrated and its consolidated subsidiaries.

The Company owns Canadian and U.S. subsidiaries which provide, or intend to provide, essential and differentiated solutions to the delivery of multidisciplinary primary care and related wellness products through the integration of medical technology, interconnectivity, advanced therapeutics, diagnostic solutions, unique personalized product offerings, and rehabilitative science.

We believe that "decentralizing" healthcare, through the integration of medical technology and interconnectivity, is an essential solution to the rapidly evolving fundamental transformation of how non-catastrophic healthcare is delivered now and how it will be delivered in the future. Specific to non-critical care, ongoing advancements in both medical technology and inter-connectivity are allowing for a shift of the patient/practitioner relationship to the patient's home and away from on-site visits to primary medical centers with mass-services. This acceleration of "ease-of-access" in the patient/practitioner interaction for non-critical care diagnosis and subsequent treatment minimizes the degradation of non-critical health conditions to critical conditions as well as allowing for more cost-effective and efficient healthcare distribution.

The Company's decentralized healthcare business model is centered on three primary pillars to best support the transformation of non-catastrophic healthcare delivery to patients and consumers:

- First Pillar - Service Networks: Deliver multidisciplinary primary care services through (i) an affiliate network of clinic facilities, (ii) small and micro footprint sized clinic facilities primarily located within the footprint of box-store commercial enterprises, (iii) clinic facilities operated through a franchise relationship with the Company, and (iv) corporate operated clinic facilities.
- Second Pillar - Technology: Develop, deploy, and integrate sophisticated interconnected technology, interfacing the patient to the healthcare practitioner thus expanding the reach and availability of the Company's services, beyond the traditional clinic location, to geographic areas not readily providing advanced, peripheral based healthcare services, including the patient's home.
- Third Pillar - Products: Develop and distribute effective, personalized health and wellness product solutions allowing for the customization of patient preventative care remedies and ultimately a healthier population. The Company's science-first approach to product innovation further emphasizes our mandate to create and provide over-the-counter preventative and maintenance care solutions.

Innovation through science, combined with the integration of sophisticated, secure technology, assures Novo Integrated of continued cutting edge advancement in patient first platforms.

First Pillar - Service Networks for Hands-on Patient Care

Our clinicians and practitioners provide certain multidisciplinary primary health care services, and related products, beyond the medical doctor first level contact identified as primary care. Our clinicians and practitioners are not licensed medical doctors, physicians, specialist, nurses or nurse practitioners. Our clinicians and practitioners are not authorized to practice primary care medicine and they are not medically licensed to prescribe pharmaceutical based product solutions.

Our team of multidisciplinary primary health care clinicians and practitioners provide assessment, diagnosis, treatment, pain management, rehabilitation, education and primary prevention for a wide array of orthopedic, musculoskeletal, sports injury, and neurological conditions across various demographics including pediatric, adult, and geriatric populations through our 16 corporate-owned clinics, a contracted network of affiliate clinics, and eldercare related long-term care homes, retirement homes, and community-based locations in Canada.

Our specialized multidisciplinary primary health care services include physiotherapy, chiropractic care, manual/manipulative therapy, occupational therapy, eldercare, massage therapy (including pre- and post-partum), acupuncture and functional dry needling, chiropody, stroke and traumatic brain injury/neurological rehabilitation, kinesiology, vestibular therapy, concussion management and baseline testing, trauma sensitive yoga and meditation for concussion-acquired brain injury and occupational stress-PTSD, women's pelvic health programs, sports medicine therapy, assistive devices, dietitian, holistic nutrition, fall prevention education, sports team conditioning programs including event and game coverage, and private personal training.

Additionally, we continue to expand our patient care philosophy of maintaining an on-going continuous connection with our current and future patient community, beyond the traditional confines of brick-and-mortar facilities, by extending oversight of patient diagnosis, care and monitoring, directly through various Medical Technology Platforms either in-use or under development.

The occupational therapists, physiotherapists, chiropractors, massage therapists, chiropodists and kinesiologists contracted, by NHL, to provide occupational therapy, physical therapy and fall prevention assessment services are registered with the College of Occupational Therapists of Ontario, the College of Physiotherapists of Ontario, College of Chiropractors of Ontario, College of Massage Therapists of Ontario, College of Chiropodists of Ontario, and the College of Kinesiologists of Ontario regulatory authorities.

Our strict adherence to public regulatory standards, as well as self-imposed standards of excellence and regulation, have allowed us to navigate with ease through the industry's licensing and regulatory framework. Compliant treatment, data and administrative protocols are managed through a team of highly trained, certified health care and administrative professionals. We and our affiliates provide service to the Canadian property and casualty insurance industry, resulting in a regulated framework governed by the Financial Services Commission of Ontario.

Second Pillar - Interconnected Technology for Virtual Ecosystem of Services, Products and Digital Health Offerings

Decentralization through the integration of interconnected technology platforms has been adopted and is thriving in a variety of sectors and industries such as transportation (Uber, Lyft), real estate (Zillow, Redfin, Airbnb, VRBO), used car sales (Carvana, Vroom), stock and financial markets (Robinhood, Acorns, Webull) and so many other sectors. Yet decentralization of the non-critical primary care and wellness sector of healthcare is lagging significantly in capability and benefit for patient access and delivery of services and products. The COVID-19 pandemic has taught both patients and healthcare providers the viability, importance, and benefits of decentralized access to primary care simply through the rapid adoption of telehealth/telemedicine.

The Company's focus on a holistic approach to patient-first health and wellness, through innovation and decentralization, includes maintaining an on-going continuous connection with our current and future patient community, beyond the traditional confines of brick-and-mortar facilities, by extending oversight of patient evaluation, diagnosis, treatment solutions, and monitoring, directly through various Medical Technology Platforms and periphery tools either in-use or under development. Through the integration and deployment of sophisticated and secure technology and periphery diagnostic tools, the Company is working to expand the reach of our non-critical primary care services and product offerings, beyond the traditional clinic locations, to geographic areas not readily providing advanced primary care service to date, including the patient's home.

NovoConnect, the Company's proprietary mobile application with a fully securitized tech stack, telemedicine/telehealth and remote patient monitoring fall under this Second Pillar. In October 2021, we announced the launch of MiTelemed+, Inc. ("MiTelemed"), a joint venture with EK-Tech Solutions Inc. ("EK-Tech"). MiTelemed will operate, support and expand access and functionality of iTelemed, EK-Tech's enhanced proprietary telehealth platform. MiTelemed+, through the iTelemed platform, will allow us to offer the patient and the practitioner a sophisticated and enhanced telehealth interaction. Through the interface of sophisticated peripheral based diagnostic tools operated by skilled support workers in the patient's remote location, we believe that the practitioner's ability and comfort to provide a uniquely comprehensive evaluation, diagnosis, and treatment solution will be dramatically elevated.

Third Pillar - Health and Wellness Products

We believe our science first approach to product offerings further emphasizes the Company's strategic vision to innovate, evolve, and deliver over-the-counter preventative and maintenance care solutions as well as therapeutics and personalized diagnostics that enable individualized health optimization.

As the Company's patient base grows through the expansion of its corporate owned clinics, its affiliate network, its micro-clinic facility openings, its interconnected technology platforms, and other growth initiatives, the development and distribution of high-quality wellness product solutions is integral to (i) offering effective product solutions allowing for the customization of patient preventative care remedies and ultimately a healthier population, and (ii) maintaining an on-going relationship with our patients through the customization of patient preventative and maintenance care solutions.

The Company's product offering ecosystem is being built through strategic acquisitions and engaging in licensing agreements with partners that share our vision to provide a portfolio of products that offer an essential and differentiated solution to health and wellness globally. Our 2021 acquisitions of Acenzia, PRO-DIP and Terragenx support this Third Pillar. On March 15, 2022, PRO-DIP was issued U.S. Patent No. 11,273,965 by the U.S. Patent and Trademark Office on March 15, 2022. The '965 patent relates to PRO-DIP's novel technology for manufacturing its oral supplement pouches. On April 4, 2022, NHL was granted a Natural Product Number (NPN) by Health Canada for IoNovo GO Iodine which is the Company's forth iodine related product to recently be granted a NPN by Health Canada following IoNovo Pure Iodine, IoNovo Iodide, and IoNovo for Kids pure iodine oral spray.

We have two reportable segments: healthcare services and product sales. For fiscal year 2022, revenues from healthcare services and product sales were 67% and 27%, respectively, of the Company's total revenues for the quarter. We expect the percentage of revenues generated from the product sales segment to continue as a greater percentage compared to the revenue generated from healthcare services over the coming quarters.

Recent Developments

Coronavirus (COVID-19)

While all of the Company's business units are operational at the time of this filing, any future impact of the COVID-19 pandemic on the Company's operations remains unknown and will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration of the COVID-19 outbreak, new information which may emerge concerning the severity of the COVID-19 pandemic, and any additional preventative and protective actions that governments, or the Company, may direct, which may result in an extended period of continued business disruption, reduced patient traffic and reduced operations. For more information regarding the impact of COVID-19 on the Company, see "—Liquidity and Capital Resources —Financial Impact of COVID-19" of this annual report on Form 10-K.

MiTelemed+ Joint Venture Agreement

On October 8, 2021, the Company and NHL completed a Joint Venture Agreement (the "MiTelemed+ JV") with EK-Tech Solutions Inc. ("EK-Tech") to establish the joint venture company MiTelemed+ Inc., an Ontario province Canada corporation ("MiTelemed+"), to operate, support, and expand access and functionality of EK-Tech's enhanced proprietary Telehealth platform. At closing, EK-Tech contributed all intellectual property, source code, and core data of the iTelemed platform, valued at CAD\$1,500,000, and NHL issued to EK-Tech, non-voting NHL Exchangeable Special Shares, free and clear of all liens and encumbrances, which are issued solely for the purpose of EK-Tech to exchange, for 185,000 restricted shares of Company's common stock solely upon EK-Tech meeting terms and conditions for exchange of the NHL Exchangeable Special Shares as defined in the MiTelemed+ JV. The net profits and net losses of the JV will be split 50/50 between NHL and EK-Tech. As of August 31, 2022, the terms and conditions for the exchange of the NHL Exchangeable Special Shares had not been met.

Terragenx Share Exchange Agreement

On November 17, 2021, the Company and NHL, a wholly owned subsidiary of the Company, entered into that certain Share Exchange Agreement (the "Terra SEA"), dated as of November 17, 2021, by and among the Company, NHL, Terragenx Inc. ("Terra"), TMS Inc. ("TMS"), Shawn Mullins, Claude Fournier, and The Coles Optimum Health and Vitality Trust ("COHV" and collectively with TMS, Mr. Mullins and Mr. Fournier, the "Terra Shareholders"). Collectively, the Terra Shareholders owned 91% of the outstanding shares of Terra (the "Terra Purchased Shares").

Pursuant to the terms of the Terra SEA, NHL agreed to purchase from the Terra Shareholders, and the Terra Shareholders agreed to sell to NHL, the Terra Purchased Shares on the closing date, in exchange for payment by NHL of the purchase price (the "Purchase Price") of CAD\$500,000 (approximately \$398,050) (the "Exchange"). The Purchase Price was to be paid with the issuance, by NHL to the Terra Shareholders, of certain non-voting NHL special shares exchangeable into restricted shares of the Company's common stock (the "NHL Exchangeable Shares"). The total shares of Company common stock allotted in favor of the Terra Shareholders was calculated at a per share price of \$3.35.

The Exchange closed on November 17, 2021. At the closing of the Exchange, (i) the Terra Shareholders transferred to NHL a total of 910 shares of Terra common stock, representing 91% of Terra's outstanding shares, and (ii) a total of 100 NHL Exchangeable Shares were issued to the Terra Shareholders, which NHL Exchangeable Shares are exchangeable into a total of 118,821 restricted shares of the Company's common stock. As a result of the Exchange, NHL has 91% ownership of Terra and full control of the Terra business.

Mullins Asset Purchase Agreement

On November 17, 2021, the Company entered into that certain Asset Purchase Agreement (the "Mullins APA"), dated as of November 17, 2021, by and between the Company and Terence Mullins. Pursuant to the terms of the Mullins APA, Mr. Mullins agreed to sell, and the Company agreed to purchase, all of Mr. Mullins' right, title and interest in and to certain assets directly and indirectly related to any and all iodine-based related products and technologies as specified in the Mullins APA (the "Mullins IP Assets"), in exchange for a purchase price of CAD\$2,500,000 (approximately \$1,990,250) which is to be paid as follows:

- (a) CAD\$2,000,000 (approximately \$1,592,200) is to be issued or allotted to Mr. Mullins only after patent-pending status, in the U.S. or internationally, is designated for all Mullins IP Assets (the "Mullins IP Assets CAD\$2m Shares"), as either restricted shares of Company common stock or NHL Exchangeable Shares, as determined by Mr. Mullins. Once issued or allotted, the Mullins IP Assets CAD \$2m Shares will be held in escrow pending registration and approval for all Mullins IP Assets, and
- (b) CAD\$500,000 (approximately \$398,050) is to be issued in the form of 118,821 restricted shares of Company common stock, free and clear of all liens, pledges, encumbrances, charges, or known claims of any kind, nature, or description, upon closing of the Mullins APA

All shares issued or allotted under the terms and conditions of the Mullins APA are calculated at a value of \$3.35 per share.

In addition, the Company will pay a royalty equal to 10% of net revenue (net profit) of all iodine related sales reported through the Company or any of its wholly owned subsidiaries for a period equal to the commercial validity of the intellectual property.

Jefferson Street Capital Stock Purchase Agreement, Secured Convertible Promissory Note, Partial Payment and Extension of the Jefferson Note

On November 17, 2021, the Company and Terragenx Inc., a majority owned subsidiary of the Company ("Terra"), entered into that certain securities purchase agreement (the "Jefferson SPA"), dated as of November 17, 2021, by and among the Company, Terra and Jefferson Street Capital LLC ("Jefferson"). Pursuant to the terms of the Jefferson SPA, (i) the Company agreed to issue and sell to Jefferson the Jefferson Note (as hereinafter defined); (ii) the Company agreed to issue to Jefferson the Jefferson Warrant (as hereinafter defined); and (iii) the Company agreed to issue to Jefferson 1,000,000 restricted shares of Company common stock (the "Collateral Shares"), as collateral on the Jefferson Note, which is being held by the escrow agent and subject to return to the Company upon full payment of the Jefferson Note; and (iv) Jefferson agreed to pay to the Company \$750,000 (the "Jefferson Purchase Price").

Pursuant to the terms of the Jefferson SPA, on November 17, 2021, Terra issued to Jefferson a secured convertible promissory note (the "Jefferson Note") with a maturity date of May 17, 2022 (the "Maturity Date"), in the principal amount of \$937,500. The Company acted as guarantor on the Jefferson Note. Pursuant to the terms of the Jefferson Note, Terra agreed to pay to Jefferson \$937,500 (the "Principal Amount"), with a purchase price of \$750,000 plus an original issue discount in the amount of \$187,500 (the "OID"), and to pay interest on the Principal Amount at the rate of 1% per annum.

Any amount of principal, interest or other amount due on the Jefferson Note that is not paid when due will bear interest at the rate of the lesser of (i) 12%, or (b) the maximum rate allowed by law.

Jefferson may, at any time, convert all or any portion of the then outstanding and unpaid principal amount and interest into shares of the Company's common stock at a conversion price of \$3.35 per share. The Jefferson Note has a 4.99% equity blocker; provided, however, that the 4.99% equity blocker may be waived (up to 9.99%) by Jefferson, at Jefferson's election, on not less than 61 days' prior notice to the Company.

On November 17, 2021, Jefferson paid the Jefferson Purchase Price of \$750,000 in exchange for the Jefferson Note. Terra intends to use the proceeds for the acquisition of the certain assets directly and indirectly related to any and all iodine-based related products and technologies as specified in the Asset Purchase Agreement (the "Mullins APA"), dated as of November 17, 2021, by and between the Company and Terence Mullins (the "Mullins IP") and thereafter for working capital and other general purposes.

Terra may prepay the Jefferson Note at any time in accordance with the terms of the Jefferson Note.

Except as related to the next transaction after the issue date of the Jefferson Note conducted on the Company's behalf by the Maxim Group LLC ("Maxim"), Terra and the Company agreed to pay to Jefferson on an accelerated basis, any outstanding Principal Amount of the Jefferson Note, along with all unpaid interest, and fees and penalties, if any, from the sources of capital below, at Jefferson's discretion, it being acknowledged and agreed by Jefferson that the Company and Terra have the right to make bona fide payments to vendors with Company common stock:

- At Jefferson's option, 15% of the net cash proceeds of any future financings by the Company, Terra or any subsidiary, whether debt or equity, or any other financing proceeds such as cash advances, royalties or earn-out payments.
- All net proceeds from any sale of assets of the Company, Terra or any subsidiaries other than sales of inventory in the ordinary course of business or receipt by the Company or any subsidiaries of any tax credits or collections pursuant to any settlement or judgement.
- Net proceeds resulting from the sale of any assets outside of the ordinary course of business or securities in any subsidiary.

On June 1, 2022, the Company made a partial payment of \$192,188 towards principal and interest owed on the Jefferson Note. On June 1, 2022, the Company and the note holder agreed to extend the maturity date to November 29, 2022 with a principal amount face value of \$937,500 and interest rate that shall accrue at a rate equal to 1% per annum. Effective February 16, 2023, the Jefferson Note has been paid in full. See Financial Note 19 - *Subsequent Events* for additional information regarding the Jefferson Note.

Platinum Point Capital Stock Purchase Agreement, Secured Convertible Promissory Note, and Full Payment of the Platinum Note

On November 17, 2021, the Company and Terra entered into that certain securities purchase agreement (the "Platinum SPA"), dated as of November 17, 2021, by and among the Company, Terra and Platinum Point Capital LLC ("Platinum"). Pursuant to the terms of the Platinum SPA, (i) the Company agreed to issue and sell to Platinum the Platinum Note (as hereinafter defined); (ii) the Company agreed to issue to Platinum the Platinum Warrant (as hereinafter defined); and (iii) the Company agreed to issue to Platinum 1,000,000 restricted shares of the Company common stock, as collateral on the Platinum Note, which is being held by the escrow agent and subject to return to the Company upon full payment of the Platinum Note; and (iv) Platinum agreed to pay to the Company \$750,000 (the "Platinum Purchase Price").

Pursuant to the terms of the Platinum SPA, on November 17, 2021, Terra issued to Platinum a secured convertible promissory note (the "Platinum Note") with a maturity date of May 17, 2022 (the "Maturity Date"), in the principal amount of \$937,500. The Company acted as guarantor on the Platinum Note. Pursuant to the terms of the Platinum Note, Terra agreed to pay to Platinum \$937,500 (the "Platinum Principal Amount"), with a purchase price of \$750,000 plus an original issue discount in the amount of \$187,500 (the "OID"), and to pay interest on the Principal Amount at the rate of 1% per annum.

Any amount of principal, interest or other amount due on the Platinum Note that is not paid when due will bear interest at the rate of the lesser of (i) 12%, or (b) the maximum rate allowed by law.

Platinum may, at any time, convert all or any portion of the then outstanding and unpaid principal amount and interest into shares of the Company's common stock at a conversion price of \$3.35 per share. The Platinum Note has a 4.99% equity blocker; provided, however, that the 4.99% equity blocker may be waived (up to 9.99%) by Platinum, at Platinum's election, on not less than 61 days' prior notice to the Company.

On November 17, 2021, Platinum paid the Platinum Purchase Price of \$750,000 in exchange for the Platinum Note. Terra intends to use the proceeds for the acquisition of the Mullins IP and thereafter for working capital and other general purposes.

Terra may prepay the Platinum Note at any time in accordance with the terms of the Platinum Note.

Except as related to the next transaction after the issue date of the Platinum Note conducted on the Company's behalf by the Maxim, Terra and the Company agreed to pay to Platinum on an accelerated basis, any outstanding Principal Amount of the Platinum Note, along with all unpaid interest, and fees and penalties, if any, from the sources of capital below, at Platinum's discretion, it being acknowledged and agreed by Platinum that the Company and Terra have the right to make bona fide payments to vendors with Company common stock:

- At Platinum's option, 15% of the net cash proceeds of any future financings by the Company, Terra or any subsidiary, whether debt or equity, or any other financing proceeds such as cash advances, royalties or earn-out payments.
- All net proceeds from any sale of assets of the Company, Terra or any subsidiaries other than sales of inventory in the ordinary course of business or receipt by the Company or any subsidiaries of any tax credits or collections pursuant to any settlement or judgement.
- Net proceeds resulting from the sale of any assets outside of the ordinary course of business or securities in any subsidiary

On June 1, 2022, the Company made an aggregated payment of \$948,874, including all principal and interest owed, on the Platinum Note.

December 2021 Registered Direct Offering

On December 14, 2021, the Company entered into a Securities Purchase Agreement with an accredited institutional investor (the "Purchaser") pursuant to which the Company agreed to issue to the Purchaser and the Purchaser agreed to purchase (the "Purchase"), in a registered direct offering, (i) \$16,666,666 aggregate principal amount of the Company's senior secured convertible notes, which notes are convertible into shares of the Company's common stock, under certain conditions (the "Notes"); and (ii) warrants to purchase up to 5,833,334 shares of the Company's common stock (the "Warrants"). The securities, including up to 68,557,248 shares of common stock issuable upon conversion under the Notes and up to 5,833,334 shares of common stock issuable upon exercise of the Warrants, are being offered by the Company pursuant to an effective shelf registration statement on Form S-3 (File No. 333-254278), which was declared effective by the SEC on March 22, 2021. The Purchase closed on December 14, 2021.

The Notes have an original issue discount of 10%, resulting in gross proceeds to the Company of \$15,000,000. The Notes bear interest of 5% per annum and mature on June 14, 2023, unless earlier converted or redeemed, subject to the right of the Purchaser to extend the date under certain circumstances. The Company will make monthly payments on the first business day of each month commencing on the calendar month immediately following the sixth month anniversary of the issuance of the Notes through June 14, 2023, the maturity date, consisting of an amortizing portion of the principal of each Note equal to \$1,388,888 and accrued and unpaid interest and late charges on the Notes. All amounts due under the Notes are convertible at any time, in whole or in part, at the holder's option, into common stock at the initial conversion price of \$2.00, which conversion price is subject to certain adjustments; provided, however, that the Notes have a 9.99% equity blocker. If an event of default occurs, the holder may convert all, or any part, of the principal amount of a Note and all accrued and unpaid interest and late charge at an alternate conversion price, as described in the Notes. Subject to certain conditions, the Company has the right to redeem all, but not less than all, of the remaining principal amount of the Notes and all accrued and unpaid interest and late charges in cash at a price equal to 135% of the amount being redeemed.

The Warrants are exercisable at an exercise price of \$2.00 per share and expire on the fourth anniversary of December 14, 2021, the initial issuance date of the Warrants.

As of August 31, 2022, the principal balance owed on the December 14, 2021 Notes is approximately \$11,230,555. See Financial Note 19—*Subsequent Events* for additional information regarding the December 14, 2021 Notes.

LA Fitness Canada Amended and Restated License Agreement & Amended and Restated Guaranty

On December 15, 2021, NHL entered into an Amended and Restated Master Facility License Agreement (the “Amended and Restated Canada License Agreement”) with LAF Canada Company (“LA Fitness Canada”). The Amended and Restated Canada License Agreement had the effect of (i) removing NHL’s obligation to develop and open a certain number of facilities within certain designated time periods; and (ii) revising the default provisions such that certain defaults will result only in termination with respect to a specific facility, rather than of the license itself. As a result of the Amended and Restated Canada License Agreement, NHL may continue to develop and open additional facilities for business.

Pursuant to the terms of the Amended and Restated Canada License Agreement, the Company entered into that certain Guaranty Agreement (the “Canada Guaranty”) dated December 15, 2021 by and between the Company, Fitness International, LLC and LA Fitness Canada, pursuant to which the Company irrevocably guaranteed the full, unconditional, and prompt payment and performance of all of NHL’s obligations and liabilities under the Amended and Restated Canada License Agreement.

Consulting Services Agreement

On December 20, 2021, the Company executed a Consulting Services Agreement for financial and corporate consulting services over a 3-month term. As consideration for payment of services, the Company paid (i) 50,000 restricted shares of common stock, and (ii) \$25,000 per month for the 3-month term. On December 20, 2021, the Company issued 50,000 shares of restricted common stock. On January 24, 2022, the Company issued 50,000 restricted shares of common stock. On February 24, 2022, the Company issued 50,000 restricted shares of common stock.

Stock Option Grant to Independent Directors

On February 23, 2022, the Company granted, pursuant to the Company’s 2021 Equity Incentive Plan (the “2021 Plan”), a stock option to purchase 93,955 shares of common stock at an exercise price of \$1.33 to each of the Company’s then-independent directors, Alex Flesias, Robert Oliva and Michael Pope. Effective June 30, 2022, Mr. Oliva resigned as a member of the Board of Directors. Each stock option vests, and becomes exercisable, (i) with respect to 7,833 shares each month, beginning on the date of grant, until December 23, 2022, and (ii) with respect 7,832 shares on January 23, 2023. Each stock option expires on February 23, 2027. The stock option grants were previously approved by the Company’s Board of Directors on January 26, 2021 and are consistent with the letter agreements dated January 26, 2021, between the Company and Messrs. Flesias, Oliva and Pope.

Share Exchange Agreement to Acquire 50.1% of 12858461 Canada Corp.

On March 1, 2022, the Company and NHL completed a Share Exchange Agreement (the “1285 SEA”) with 12858461 Canada Corp. (“1285”), a Canada federal corporation in the business of providing clinic-based physiotherapy and related ancillary services and products, and Prashant A. Jani, a Canadian citizen and sole shareholder of 1285 (the “1285 Shareholder”) to acquire 50.1% ownership of 1285 for a purchase price of \$68,000 (the “1285 Purchase Price”) paid with the issuance, by NHL to the 1285 Shareholder, of certain non-voting NHL Exchangeable Special Shares which can only be utilized for the purpose of exchange into an allotment of 17,000 restricted shares of the Company’s common stock (the “Parent 1285 SEA Shares”) at the determination of the 1285 Shareholder. The number of Parent 1285 SEA Shares was calculated by dividing the 1285 Purchase Price by \$4.00 per share.

Asset Purchase Agreement with Poling Taddeo Hovius Physiotherapy Professional Corp., operating as Fairway Physiotherapy and Sports Injury Clinic

On March 1, 2022, the Company and NHL completed an Asset Purchase Agreement (the “PTHPC APA”) with Poling Taddeo Hovius Physiotherapy Professional Corp. (“PTHPC”), operating a clinic-based physiotherapy, rehabilitative, and related ancillary services and products business known as Fairway Physiotherapy and Sports Injury Clinic (“FAIR”), and Jason Taddeo, a Canadian citizen and the sole shareholder of PTHPC (the “PTHPC Shareholder”), Under the terms and conditions of the PTHPC APA, PTHPC agreed to sell, assign and transfer to NHL, free and clear of all encumbrances, other than permitted encumbrances, and NHL agreed to purchase from PTHPC all of PTHPC’s right, title and interest in and to all of its assets related to FAIR and the FAIR Business, with the exception of certain limited exclusions, and the rights, privileges, claims and properties of any kind whatsoever that are related thereto, whether owned or leased, real or personal, tangible or intangible, of every kind and description and wheresoever situated. Under the terms and conditions of the PTHPC APA, the purchase price is \$627,000 (the “FAIR Purchase Price”) paid with the issuance, by NHL to the PTHPC Shareholder, of certain non-voting NHL Exchangeable Special Shares which can only be utilized for the purpose of exchange into an allotment of 156,750 restricted shares of the Company’s common stock (the “Parent PTHPC APA Shares”) at the determination of the PTHPC Shareholder. The number of Parent PTHPC APA Shares was calculated by dividing the FAIR Purchase Price by \$4.00 per share.

Clinical Consultants International LLC Acquisition

On March 17, 2022, the Company entered into a Membership Interest Purchase Agreement (the “CCI Agreement”) by and among the Company, Clinical Consultants International LLC (“CCI”), each of the members of CCI (the “Members”), and Dr. Joseph Chalil as the representative of the Members.

Pursuant to the terms of the CCI Agreement, among other things, the CCI Members will sell and assign to the Company all of their membership interests of CCI, in exchange for a total of 800,000 restricted shares of the Company’s common stock (the “Exchange Shares”) (“CCI Acquisition”). The Exchange Shares will be apportioned among the Members pro rata based on their respective membership interest ownership percentage of CCI. Following the closing of the CCI Acquisition (the “Closing”), the Company will own 100% of the issued and outstanding membership interests of CCI, and the CCI Members or their designees will collectively own 800,000 restricted shares of the Company’s common stock. The restricted shares were issued on April 7, 2022.

This CCI Acquisition was accounted for as an asset acquisition, as substantially all of the fair value of the assets being acquired under the arrangement was concentrated in the customer relationships. Accordingly, the \$1,704,000 purchase price was primarily allocated to the customer relationships intangible asset, for \$1,701,814, and amortized over an estimated useful life of 5 years. The remaining purchase price was allocated to cash and cash equivalents.

Pursuant to the terms of the CCI Agreement, the Company agreed to (i) name, at the Closing, Dr. Chalil as the Chief Medical Officer of the Company and the President of Novomerica Healthcare Group, Inc., which is a wholly owned subsidiary of the Company, (ii) enter into an employment agreement with Dr. Chalil, and (iii) name Dr. Chalil to the Company’s Board of Directors.

On April 5, 2022, the CCI Acquisition closed. As a result, immediately after the Closing on April 5, 2022, the Company owned 100% of the issued and outstanding membership interests of CCI. On April 7, 2022, the Company issued an aggregate of 800,000 restricted shares of the Company’s common stock to the Members in connection with the CCI Acquisition and pursuant to the terms of the CCI Agreement.

Appointment of Dr. Chalil as the Company’s Chief Medical Officer and President of Novomerica Healthcare Group, Inc.

On April 5, 2022, in connection with the closing of the CCI Acquisition and pursuant to the terms of the CCI Agreement, the Company named Dr. Chalil as the Company’s Chief Medical Officer, and the President of Novomerica Healthcare Group, Inc., a wholly owned subsidiary of the Company formed for expansion of certain medically related business in the U.S. (“NHG”). Pursuant to the terms of the CCI Agreement, the Company expects to appoint Dr. Chalil as a member of the Company’s Board of Directors in the near future.

Chalil Employment Agreement

In connection with Dr. Chalil’s appointment as the Company’s Chief Medical Officer and NHG’s President, the Company entered into an executive agreement (the “Chalil Agreement”) with Dr. Chalil on April 5, 2022. Pursuant to the terms of the Chalil Agreement, the Company agreed to pay Dr. Chalil an annual base salary of \$400,000. In addition, the Company agreed to pay Dr. Chalil an amount equal to 10% of the net income of CCI in excess of \$450,000 for each calendar year during the term of the Chalil Agreement (the “Revenue Share Payment”).

Dr. Chalil will also receive bonuses based on increases in the Company’s market cap valuation (“MCV”) from the date of the Chalil Agreement, with the following milestone bonus parameters:

- (a) For each and every \$50 million Company MCV increase sustained for a period of not less than 30 days (the “50M Bonus Event”), Dr. Chalil will receive \$250,000, or 0.5% of \$50 million, in Company common stock. For the sake of clarity, Dr. Chalil will only be issued compensation based on \$50 million MCV increments; there will be no compensation issued for anything above \$50 million until the subsequent \$50 million MCV milestone is achieved. This bonus will be capped at a Company MCV of \$1 billion. The 50M Bonus Event stock will be issued as (i) 50% restricted shares within 30 days of the respective 50M Bonus Event or at a later date as requested by Dr. Chalil, and held as an allocation to Dr. Chalil, until the requisition date as provided in writing, by Dr. Chalil, to the Company, and (ii) 50% registered shares from the Company’s current active incentive plan within 30 days of the respective 50M Bonus Event.

(b) Upon the Company sustaining a MCV of \$2 billion for no less than 30 days (the “2B Bonus Event”), Dr. Chalil will receive \$20 million, or 1% of \$1 billion, in restricted shares of Company common stock. The 2B Bonus Event stock will be issued within 30 days of the 2B Bonus Event or at a later date as requested by Dr. Chalil, and held as an allocation to Dr. Chalil, until Dr. Chalil provides the Company with written instructions requesting the specific stock issuance date.

(c) For each additional \$1 billion MCV, beyond the 2B Bonus Event and commencing when the Company MCV reaches \$3 billion sustained for no less than 30 days, Dr. Chalil will receive \$10 million, or 1% of \$1 billion, in restricted shares of the Company’s common stock. Dr. Chalil may choose to have this stock issued within 30 days of each additional \$1 billion MCV event or at a later date as requested by Dr. Chalil, and held as an allocation to Dr. Chalil, until Dr. Chalil provides the Company with written instructions requesting the specific stock issuance date.

The Company may also issue to Dr. Chalil equity awards as determined by the Board of Directors.

The term of the Chalil Agreement ends on the earlier of (i) April 5, 2025, and (ii) the time of the termination of Dr. Chalil’s employment pursuant to the terms of the Chalil Agreement. The term of the Chalil Agreement will be automatically extended for one or more additional terms of one year each unless either party provided notice to the other party of their desire to not renew at least 30 days prior to expiration of the then-current term.

The Company may terminate the Chalil Agreement at any time for Cause (as defined in the Chalil Agreement) or without Cause, and Dr. Chalil may terminate the Chalil Agreement at any time with or without Good Reason (as defined in the Chalil Agreement). If the Company terminates the Chalil Agreement without Cause or Dr. Chalil terminates the Chalil Agreement with Good Reason, (i) the Company will pay to Dr. Chalil any base salary, bonuses, and benefits then owed or accrued, and any unreimbursed expenses incurred by Dr. Chalil in each case through the termination date; (ii) the Company will pay to Dr. Chalil, in one lump sum, an amount equal to the greater of (1) the base salary that would have been paid to Dr. Chalil for the remainder of the then-current term, and (2) the total base salary that would have been paid to Dr. Chalil for a one year period based on the base salary as of the date of termination, and the Revenue Share Payment for the calendar year in which such termination occurs; and (iii) any equity grant already made to Dr. Chalil will, to the extent not already vested, be deemed automatically vested.

Shelf Registration Statement

On April 28, 2022, the SEC declared effective the Company’s shelf registration statement on Form S-3 (File No. 333-264360) (the “Form S-3”) originally filed on April 18, 2022. The Form S-3 is a shelf registration statement relating to the sale of 223,880 shares of our common stock issuable to Jefferson Street Capital and Platinum Point Capital, under the terms and conditions of both the Jefferson SPA and the Platinum SPA, upon exercise of certain warrants, currently held by the respective selling stockholders, with an exercise price of \$3.35 which expire on November 17, 2024.

Promissory Note Amortization Payment

On June 14, 2022, the Company made a cash payment in the aggregate amount of \$1,391,589 for the monthly Amortization Payment pursuant to the terms and conditions of the \$16.66mt convertible notes.

Dalcourt and Gaynor Board of Directors Compensation

On June 29, 2022, the Board granted Pierre Dalcourt and Michael Gaynor 250,000 and 50,000 shares of common stock, respectively, pursuant to the 2021 Plan as consideration for over 5-years of service to the Board without having received compensation.

Board of Directors Changes

Effective June 30, 2022, Robert Oliva, Michael Gaynor and Pierre Dalcourt resigned as members of the Board of Directors. Also, effective June 30, 2022, (i) Sarfaraz Ali was appointed as an independent member of the Board of Directors; (ii) the size of the Board of Directors was reduced from seven to five members. As a result, effective June 30, 2022, following the aforementioned Board changes, a majority of the Company's Board of Directors is independent. As compensation for Mr. Ali's services as a director, on August 9, 2022, the Company granted, pursuant to the Company's 2021 Equity Incentive Plan, a stock option to purchase 39,480 shares of common stock at an exercise price of \$1.90. Mr. Ali's stock options vest, and becomes exercisable, (i) with respect to 6,580 shares on the date of grant, and (ii) with respect to 3,290 shares monthly, beginning on September 9, 2022 until July 9, 2023. Each stock option expires on August 9, 2027. The stock option grants were previously approved by the Company's Board of Directors on June 30, 2022, and are consistent with the letter agreement, dated June 27, 2022, between the Company and Mr. Ali.

Promissory Note Payment

On June 30, 2022, the Company paid the balance owed on an Aenzia promissory note for an aggregate payment of \$5,300,000, including all principal and interest owed.

Promissory Note Amortization Payment

On July 14, 2022, the Company made a cash payment in the aggregate amount of \$1,474,496 for the monthly Amortization Payment pursuant to the terms and conditions of the \$16.66mt convertible notes.

Promissory Note Amortization Payment

On August 14, 2022, the Company made a cash payment in the aggregate amount of \$1,441,470 for the monthly Amortization Payment pursuant to the terms and conditions of the \$16.66mt convertible notes.

Registration Statement on Form S-1

On September 13, 2022, the Company filed a registration statement on Form S-1 (File No. 333-267401) (as amended, the "Registration Statement"). The Registration Statement relates to the Company's proposed offer of up to 19,138,756 units ("Units"), with each Unit consisting of (i) one share of common stock, (ii) one warrant with a three-year term to purchase one share of common stock at an exercise price of \$1.045 per share (100% of the offering price per Unit) ("Three-Year Warrant"), and (iii) one warrant with a five-year term to purchase one share of common stock at an exercise price of \$1.045 per share (100% of the offering price per Unit) ("Five-Year Warrant") on a best-efforts basis. The assumed public offering price is \$1.045 per Unit. Each Three-Year Warrant and Five-Year Warrant will be immediately exercisable for one share of common stock at an assumed exercise price of \$1.045 per share (not less than 100% of the public offering price of each Unit sold in the offering). The actual public offering price per Unit will be determined between the Company, Maxim Group LLC and the investors in the offering, and may be at a discount to the current market price of the Company's common stock.

As indicated in the Registration Statement, the Company also proposes to offer to each purchaser of Units that would otherwise result in the purchaser's beneficial ownership exceeding 4.99% of the Company's outstanding common stock immediately following the consummation of the offering, the opportunity to purchase Units consisting of one pre-funded warrant to purchase one share of common stock ("Pre-Funded Warrant") (in lieu of one share of common stock), one Three-Year Warrant and one Five-Year Warrant. Subject to limited exceptions, a holder of Pre-Funded Warrants will not have the right to exercise any portion of its Pre-Funded Warrants if the holder, together with its affiliates, would beneficially own in excess of 4.99% (or, at the election of the holder, such limit may be increased to up to 9.99%) of the number of shares of common stock outstanding immediately after giving effect to such exercise. Each Pre-Funded Warrant will be exercisable for one share of common stock. The purchase price of each Unit including a Pre-Funded Warrant will be equal to the price per Unit including one share of common stock, minus \$0.01, and the remaining exercise price of each Pre-Funded Warrant will equal \$0.01 per share. The Pre-Funded Warrants will be immediately exercisable (subject to the beneficial ownership cap) and may be exercised at any time until all of the Pre-Funded Warrants are exercised in full. For each Unit including a Pre-Funded Warrant sold (without regard to any limitation on exercise set forth therein), the number of Units including a share of common stock offered will be decreased on a one-for-one basis. The common stock and Pre-Funded Warrants, if any, can each be purchased in the offering only with the accompanying Three-Year Warrant and Five-Year Warrant as part of a Unit, but the components of the Units will immediately separate upon issuance. The Company also proposes to register the common stock issuable from time to time upon exercise of the Pre-Funded Warrants, Three-Year Warrants and Five-Year Warrants included in the Units.

There is no minimum number of Units or minimum aggregate amount of proceeds for the offering to close.

The Company expects to commence the sale of the securities as of the date on which the Registration Statement is declared effective by the SEC. No sales will be made prior to effectiveness of the Registration Statement. There can be no assurance that the Registration Statement will be declared effective by the SEC.

Promissory Note Amortization Payment

On September 14, 2022, the Company made a cash payment in the aggregate amount of \$1,435,683 for the monthly Amortization Payment pursuant to the terms and conditions of the \$16.66mt convertible notes.

CVI Investments, Inc. Waiver and Amendment

On October 13, 2022, the Company entered into a Waiver and Amendment (the “CVI Waiver and Amendment”) with CVI Investments, Inc. (“CVI”). Pursuant to the terms of the CVI Waiver and Amendment, (i) the Company obtained a limited waiver from CVI with respect to certain provisions of a Warrant to Purchase Common Stock, dated as of December 14, 2021, issued by the Company to CVI (the “CVI Warrant”); (ii) the Company and CVI amended certain provisions of the CVI Warrant; (iii) the Company obtained a limited waiver from CVI with respect to certain provisions of a Senior Secured Convertible Note, dated as of December 14, 2021, issued by the Company to CVI (the “CVI Note”); and (iv) the Company and CVI amended certain provisions of the CVI Note, all as more fully described below and as set forth in the CVI Warrant and the CVI Note, as applicable.

Pursuant to the terms of the CVI Waiver and Amendment, the Company obtained a limited waiver from CVI with respect to the provisions of the CVI Warrant that would have reduced the exercise price of the CVI Warrant upon the closing of the sale of the Company’s common stock by the Company (the “Offering”) to be conducted as set forth in and pursuant to the prospectus contained in the Registration Statement on Form S-1 (File No. 333-267401) filed by the Company on September 13, 2022, as subsequently amended and as declared effective on October 13, 2022. In addition, the Company and CVI agreed to amend the CVI Warrant to provide that the exercise price of the CVI Warrant shall be the price at which the Company’s common stock is offered for sale in the Offering.

Also pursuant to the terms of the CVI Waiver and Amendment, the Company obtained a limited waiver from CVI with respect to the provisions of the CVI Note that would have reduced the conversion price of the CVI Note upon the closing of the Offering. CVI also agreed to extend the date on which the Amortization Redemption Amount (as defined in the CVI Note) may be paid from October 14, 2022 to October 19, 2022. In addition, the Company and CVI agreed to amend the CVI Note to provide that the conversion price set forth in the CVI Note shall be the price at which the Company’s common stock is being offered for sale in the Offering.

Hudson Bay Master Fund Ltd. Waiver and Amendment

Also on October 13, 2022, the Company entered into a Waiver and Amendment (the “Hudson Bay Waiver and Amendment”) with Hudson Bay Master Fund Ltd. (“Hudson Bay”). Pursuant to the terms of the Hudson Bay Waiver and Amendment, (i) the Company obtained a limited waiver from Hudson Bay with respect to certain provisions of a Warrant to Purchase Common Stock, dated as of December 14, 2021, issued by the Company to Hudson Bay (the “Hudson Bay Warrant”); (ii) the Company and Hudson Bay amended certain provisions of the Hudson Bay Warrant; (iii) the Company obtained a limited waiver from Hudson Bay with respect to certain provisions of a Senior Secured Convertible Note, dated as of December 14, 2021, issued by the Company to Hudson Bay (the “Hudson Bay Note”); and (iv) the Company and Hudson Bay amended certain provisions of the Hudson Bay Note, all as more fully described below and as set forth in the Hudson Bay Warrant and the Hudson Bay Note, as applicable.

Pursuant to the terms of the Hudson Bay Waiver and Amendment, the Company obtained a limited waiver from Hudson Bay with respect to the provisions of the Hudson Bay Warrant that would have reduced the exercise price of the Hudson Bay Warrant upon the closing of the Offering. In addition, the Company and Hudson Bay agreed to amend the Hudson Bay Warrant to provide that the exercise price of the Hudson Bay Warrant shall be the price at which the Company's common stock is offered for sale in the Offering.

Also pursuant to the terms of the Hudson Bay Waiver and Amendment, the Company obtained a limited waiver from Hudson Bay with respect to the provisions of the Hudson Bay Note that would have reduced the conversion price of the Hudson Bay Note upon the closing of the Offering. Hudson Bay also agreed to extend the date on which the Amortization Redemption Amount (as defined in the Hudson Bay Note) may be paid from October 14, 2022 to October 19, 2022. In addition, the Company and Hudson Bay agreed to amend the Hudson Bay Note to provide that the conversion price set forth in the Hudson Bay Note shall be the price at which the Company's common stock is being offered for sale in the Offering.

Unit Offering

On October 18, 2022 (the "Closing Date"), the Company sold an aggregate of 4,000,000 units (the "Units") for an aggregate of \$2,000,000, at a purchase price \$0.50 per Unit (the "Offering"), consisting of (i) 4,000,000 shares (the "Shares") of the Company's common stock, (ii) warrants with a three-year term to purchase 4,000,000 shares of common stock at an exercise price of \$0.50 per share (the "Three Year Warrants"), and (iii) warrants with a five-year term to purchase 4,000,000 shares of common stock at an exercise price of \$0.50 per share (the "Five Year Warrants" and together with the Three Year Warrants, the "Warrants").

On October 13, 2022, the Company entered into a Placement Agency Agreement (the "Placement Agency Agreement") with Maxim Group LLC, as exclusive placement agent thereunder (the "Placement Agent"), pursuant to which the Placement Agent agreed to act as the Company's exclusive placement agent to solicit offers to purchase the Units, and the Common Stock and Warrants forming part of the Units, offered by the prospectus ("Prospectus") contained in the Registration Statement on Form S-1 (File No. 333-267401) declared effective by the Securities and Exchange Commission on October 13, 2022 (the "Registration Statement"). The Placement Agent did not purchase or sell any securities, nor was it required to arrange for the purchase and sale of any specific number or dollar amount of securities, other than to use its "reasonable best efforts" to arrange for the sale of the securities by the Company. Accordingly, there was no minimum amount of proceeds that was a condition to closing of the Offering.

The Offering resulted in gross proceeds to the Company of approximately \$2,000,000 before deducting the Placement Agent fees and related offering expenses, and excluding proceeds to the Company, if any, that may result from the future exercise of Warrants issued in the Offering which formed part of the Units. Pursuant to the terms of the Placement Agency Agreement, the Company paid the Placement Agent a cash fee of \$140,000 equal to 7.0% of the gross proceeds of the Offering as well as reimbursed the Placement Agent for its accountable expenses, resulting in net proceeds to the Company of \$1,795,000.

Under the Placement Agency Agreement, the Company agreed to certain restrictions on future stock offerings, including that during the 90-day period following the Closing Date, the Company will not issue (or enter into any agreement to issue) any shares of common stock or common stock equivalents, subject to certain exceptions, and will not file any registration statements. In addition, during the 180-day period following the Closing Date and subject to certain exceptions, the Company is prohibited from entering into (i) a transaction that would result in the Company issuing common stock that has a variable conversion price, exercise price, or exchange rate, or such a price that would reset upon the occurrence of specified or contingent events; or (ii) a transaction in which the Company agrees to issue securities at a future determined price. Each of the Company's officers, directors, and any holder of 10% or more of the outstanding common stock has agreed to a three-month "lock-up" with respect to their shares of common stock, including securities that are convertible into, or exchangeable or exercisable for, shares of common stock. Subject to certain exceptions, during such lock-up period these holders may not offer, sell, pledge or otherwise dispose of these securities, without the prior written consent of the Placement Agent. The Placement Agency Agreement provides that the Placement Agent's obligations were subject to conditions contained in the Placement Agency Agreement.

Each Warrant had an exercise price of \$0.50 per share and is exercisable upon issuance. As a result of the Company's entry, on November 14, 2022, into the CVI Exchange Offer and Amendment (as hereinafter defined) and the Hudson Bay Exchange Offer and Amendment (as hereinafter defined), the exercise price of each Warrant was reduced to \$0.10 per share. The Three Year Warrants and the Five Year Warrants will expire three years and five years from the date of issuance, respectively.

Each Warrant is exercisable for one share of common stock, subject to adjustment in the event of stock dividends, stock splits, stock combinations, reclassifications, reorganizations or similar events affecting the common stock as described in the Prospectus. Subject to certain exemptions outlined in the Three Year Warrants and Five Year Warrants, if the Company sells, enters into an agreement to sell, or grants any option to purchase, or sell, enters into an agreement to sell, or grants any right to reprice, or otherwise disposes of or issues (or announces any offer, sale, grant or any option to purchase or other disposition) any shares of common stock or Common Stock Equivalents (as defined in the Three Year Warrants and Five Year Warrants), at an effective price per share less than the exercise price of the Three Year Warrants or Five Year Warrants then in effect, the exercise price of the Three Year Warrants and Five Year Warrants will be reduced to equal the effective price per share in such dilutive issuance; provided, however, in no event will the exercise price of the Three Year Warrants and Five Year Warrants be reduced to an exercise price lower than \$0.10. Additionally, on the date that is 60 calendar days immediately following the initial issuance date of the Three Year Warrants and Five Year Warrants, the exercise price will be reduced to the Reset Price (as hereinafter defined), provided that the Reset Price is less than the exercise price in effect on that date. The "Reset Price" is equal to the greater of (a) 50% of the initial exercise price or (b) 100% of the lowest daily volume weighted average price per share of common stock ("VWAP") occurring during the 60 calendar days following the issuance date of the Three Year Warrants and Five Year Warrants.

On October 13, 2022, the (i) conversion price of the Senior Secured Convertible Notes, and the (ii) exercise price per share of common stock under the warrants to purchase common stock, issued by the Company and held by CVI Investments, Inc. and Hudson Bay Master Fund Ltd. (the "Holders") was reduced to \$0.50 per share of common stock based on the offering price of each Unit in the Offering and in accordance with waivers by the Holders, as further described in the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on October 14, 2022.

The terms of the Three Year Warrants and Five Year Warrants are governed by a Warrant Agency Agreement (the "Warrant Agency Agreement"), dated as of the Closing Date, by and between the Company and Pacific Stock Transfer Company (the "Warrant Agent"). Pursuant to the terms of the Warrant Agency Agreement, the Company agreed to indemnify the Warrant Agent in its roles as transfer agent and warrant agent, its agents and each of its stockholders, directors, officers and employees against all liabilities, including judgments, costs and reasonable counsel fees that may arise out of acts performed or omitted for its activities in that capacity, except for any liability due to any gross negligence, willful misconduct or bad faith of the indemnified person or entity.

Promissory Note Amortization Payment

On October 19, 2022, the Company made a cash payment in the aggregate amount of \$1,429,896 for the monthly Amortization Payment pursuant to the terms and conditions of the \$16.66mt convertible notes.

Restricted Stock Issuance

On October 26, 2022, the Company issued 36,222 restricted shares of common stock for NHL Exchangeable Shares under the terms and conditions of a Share Exchange Agreement which closed on June 24, 2021.

CVI Investments, Inc. Exchange Offer and Amendment

On November 14, 2022, the Company entered into an exchange offer and amendment (the "CVI Exchange Offer and Amendment") with CVI. Pursuant to the terms of the CVI Exchange Offer and Amendment, (i) the Company exchanged one share of the Company's common stock, for each share of common stock (the "CVI Warrant Exchange") underlying the warrant to purchase common stock, dated as of December 14, 2021, issued by the Company to CVI (the "CVI Warrant"); and (ii) the Company and CVI amended certain provisions of the senior secured convertible note, dated as of December 14, 2021, issued by the Company to CVI (the "CVI Note"), all as more fully described below and as set forth in the CVI Warrant and the CVI Note, as applicable. On November 15, 2022 and January 5, 2023, 1,757,319 and 1,159,348 shares of common stock were issued under the terms and conditions of the CVI Warrant Exchange.

Pursuant to the terms of the CVI Exchange Offer and Amendment, the Company and CVI agreed to amend the CVI Note such that (i) the Company shall pay the interest originally payable in November 2022 and December 2022 upon execution of the CVI Exchange Offer and Amendment, (ii) the Company shall pay a \$50,000 extension fee to CVI (\$10,000 on January 15, 2023, \$10,000 on February 14, 2023, \$10,000 on March 14, 2023, \$10,000 on April 14, 2023, and \$10,000 on May 15, 2023), (iii) the payment dates for the principal originally payable in November 2022 and December 2022 shall be extended such that 1/5 of such respective principal amount shall instead be paid on each Amortization Date (as defined in the CVI Note) during January 2023, February 2023, March 2023, April 2023, and May 2023, in addition to the Amortization Redemption Amounts (as defined in the CVI Note) (the "Amortization Redemption Amounts") due on the aforementioned dates in 2023.

Also, pursuant to the terms of the CVI Exchange Offer and Amendment, the Company agreed to hold an annual or special meeting of stockholders on or prior to the date that is 90 calendar days after November 14, 2022, for the purpose of obtaining shareholder approval ("Shareholder Approval") to amend the CVI Note as follows:

(i) the definition of Conversion Price (as defined in the CVI Note) (the "Conversion Price") shall be amended such that, as to the first \$1,000,000 of principal amount of the CVI Note converted after the date that the Shareholder Approval is obtained, the Conversion Price shall be the lower of (i) the Conversion Price in effect at such time and (ii) 82.0% of the lowest VWAP (as defined in the CVI Note) during the five trading days immediately prior to the applicable conversion date (the "Adjusted Conversion Price"), provided, however, that the portion of the first \$1,000,000 of principal amount of the CVI Note that is converted pursuant to a voluntary conversion by CVI shall reduce each of the remaining Amortization Redemption Amounts proportionately on a pro rata basis;

(ii) CVI may accelerate up to four Amortization Redemption Amounts (as defined in the Notes) provided that CVI agrees to accept shares of Common Stock instead of cash for such payments at a price per share equal to the Adjusted Conversion Price as calculated on the immediately preceding Amortization Date (as defined in the CVI Note)); and

(iii) upon mutual consent by the Company and CVI, CVI may elect to utilize the Adjusted Conversion Price for the balance of the Notes.

The CVI Exchange Offer and Amendment further provides that from November 14, 2022 until 30 days following November 14, 2022, neither the Company nor any of its subsidiaries shall (i) issue, enter into any agreement to issue or announce the issuance or proposed issuance of any Common Stock or any securities convertible or exchangeable into Common Stock, or (ii) enter into any agreement to amend, exchange or otherwise provide any incentive to exercise any of the warrants originally issued together with the Exchange Warrants or any other warrants of the Company that are outstanding on November 14, 2022, in each such case except with respect to certain exempt issuances.

Hudson Bay Master Fund Ltd. Exchange Offer and Amendment

Also, on November 14, 2022, the Company entered into an exchange offer and amendment (the "Hudson Bay Exchange Offer and Amendment") with Hudson Bay. Pursuant to the terms of the Hudson Bay Exchange Offer and Amendment, (i) the Company exchanged one share of the Company's common stock, for each share of common stock (the "Hudson Bay Warrant Exchange") underlying the warrant to purchase common stock, dated as of December 14, 2021, issued by the Company to Hudson Bay (the "Hudson Bay Warrant"); and (ii) the Company and Hudson Bay amended certain provisions of the senior secured convertible note, dated as of December 14, 2021, issued by the Company to Hudson Bay (the "Hudson Bay Note"), all as more fully described below and as set forth in the Hudson Bay Warrant and the Hudson Bay Note, as applicable. On November 15, 2022, 2,916,667 shares of common stock were issued under the terms and conditions of the Hudson Bay Warrant Exchange.

Pursuant to the terms of the Hudson Bay Exchange Offer and Amendment, the Company and Hudson Bay agreed to amend the Hudson Bay Note such that (i) the Company shall pay the interest originally payable in November 2022 and December 2022 upon execution of the Hudson Bay Exchange Offer and Amendment, (ii) the Company shall pay a \$50,000 extension fee to Hudson Bay (\$10,000 on January 15, 2023, \$10,000 on February 14, 2023, \$10,000 on March 14, 2023, \$10,000 on April 14, 2023, and \$10,000 on May 15, 2023), (iii) the payment dates for the principal originally payable in November 2022 and December 2022 shall be extended such that 1/5 of such respective principal amount shall instead be paid on each Amortization Date (as defined in the Hudson Bay Note) during January 2023, February 2023, March 2023, April 2023, and May 2023, in addition to the Amortization Redemption Amounts (as defined in the Hudson Bay Note) (the "Amortization Redemption Amounts") due on the aforementioned dates in 2023.

Also, pursuant to the terms of the Hudson Bay Exchange Offer and Amendment, the Company agreed to hold an annual or special meeting of stockholders on or prior to the date that is 90 calendar days after November 14, 2022, for the purpose of obtaining shareholder approval ("Shareholder Approval") to amend the Hudson Bay Note as follows:

(i) the definition of Conversion Price (as defined in the Hudson Bay Note) (the "Conversion Price") shall be amended such that, as to the first \$1,000,000 of principal amount of the Hudson Bay Note converted after the date that the Shareholder Approval is obtained, the Conversion Price shall be the lower of (i) the Conversion Price in effect at such time and (ii) 82.0% of the lowest VWAP (as defined in the Hudson Bay Note) during the five trading days immediately prior to the applicable conversion date (the "Adjusted Conversion Price"), provided, however, that the portion of the first \$1,000,000 of principal amount of the Hudson Bay Note that is converted pursuant to a voluntary conversion by Hudson Bay shall reduce each of the remaining Amortization Redemption Amounts proportionately on a pro rata basis;

(ii) Hudson Bay may accelerate up to four Amortization Redemption Amounts (as defined in the Notes) provided that Hudson Bay agrees to accept shares of Common Stock instead of cash for such payments at a price per share equal to the Adjusted Conversion Price as calculated on the immediately preceding Amortization Date (as defined in the Hudson Bay Note); and

(iii) upon mutual consent by the Company and Hudson Bay, Hudson Bay may elect to utilize the Adjusted Conversion Price for the balance of the Notes.

The Hudson Bay Exchange Offer and Amendment further provides that from November 14, 2022 until 30 days following November 14, 2022, neither the Company nor any of its subsidiaries shall (i) issue, enter into any agreement to issue or announce the issuance or proposed issuance of any Common Stock or any securities convertible or exchangeable into Common Stock, or (ii) enter into any agreement to amend, exchange or otherwise provide any incentive to exercise any of the warrants originally issued together with the Exchange Warrants or any other warrants of the Company that are outstanding on November 14, 2022, in each such case except with respect to certain exempt issuances.

Promissory Note Amortization and Extension Fee Payments

On November 14, 2022, as provided in the CVI Exchange Offer and Amendment, the Company made a cash payment, in the amount of \$37,384, for the monthly interest owed on the CVI Note outstanding principal balance. On November 14, 2022, as provided in the Hudson Bay Exchange Offer and Amendment, the Company made a cash payment, in the amount of \$33,056, for the monthly interest owed on the Hudson Bay Note outstanding principal balance.

On January 17, 2023, March 2, 2023, and March 14, 2023, the Company made an interest payment on the Hudson Bay Note, to Hudson Bay, in the amount of \$8,333, \$625, and \$208, respectively. On January 17, 2023, March 2, 2023, and March 14, 2023, pursuant to the terms of the Hudson Bay Exchange Offer and Amendment, the Company paid, to Hudson Bay, extension fees in the amount of \$10,000, \$10,000, and \$10,000, respectively. On March 24, 2023, the Company paid to Hudson Bay an aggregate of \$70,069, representing the remaining principal balance on the Hudson Bay Note (\$50,000), interest on the Hudson Bay Note (\$69), and extension fees (\$20,000). As of March 24, 2023, the Hudson Bay Note was paid in full and no amounts remain due and outstanding in respect of the Hudson Bay Note.

On March 14, 2023, the Company made a principal payment on the CVI Note, to CVI, in the amount of \$6,111 and an interest payment on the CVI Note, to CVI, in the amount of \$77. Also on March 14, 2023, pursuant to the terms of the CVI Exchange Offer and Amendment, the Company paid, to CVI, an extension fee in the amount of \$30,000. On March 24, 2023, the Company paid to CVI an extension fee in the amount of \$20,000. As of March 24, 2023, the CVI Note was paid in full and no amounts remain due and outstanding in respect of the CVI Note.

Share Issuances in Connection with Warrant Exercises

Subsequent to the fiscal year ended August 31, 2022, the Company issued an aggregate of 3,910,000 shares of common stock to certain warrant holders upon exercise of their warrants related to the Company's Registration Statement on Form S-1 (File No. 333-267401) declared effective by the Securities and Exchange Commission on October 13, 2022.

Share Issuances in Connection with Note Conversions

Subsequent to the fiscal year ended August 31, 2022, the Company issued an aggregate of 94,185,340 shares of common stock to certain note holders upon conversion of their notes. As of March 31, 2023, (i) the principal balance owed by the Company to Hudson Bay pursuant to the senior secured convertible note, dated as of December 14, 2021, as amended, issued by the Company to Hudson Bay is \$0, (ii) the principal balance owed by the Company to CVI pursuant to the senior secured convertible note, dated as of December 14, 2021, as amended, issued by the Company to CVI is \$0; and (iii) the principal balance owed by the Company to Jefferson pursuant to the secured convertible note, dated as of November 17, 2021, as amended, issued by the Company to Jefferson is \$0.

Share Issuance in Exchange for Certain NHL Non-Voting Special Shares

Subsequent to the fiscal year ended August 31, 2022, the Company issued 3,202,019 shares of common stock in exchange for certain non-voting special shares of NHL, previously issued in connection with NHL's acquisition of Acenzia that closed on June 24, 2021.

Nasdaq Notification—Minimum Bid Price Requirement

On November 21, 2022, the Company received a notification letter (the "November Notification Letter") from The Nasdaq Stock Market, LLC ("Nasdaq") that it is not in compliance with the minimum bid price requirements set forth in Nasdaq Listing Rule 5550(a)(2) for continued listing on The Nasdaq Capital Market. Nasdaq Listing Rule 5550(a)(2) requires listed securities to maintain a minimum bid price of \$1.00 per share, and Nasdaq Listing Rule 5810(c)(3)(A) provides that a failure to meet the minimum bid price requirement exists if the deficiency continues for a period of 30 consecutive business days. Based on the closing bid price of the Company's common stock between October 10, 2022 and November 11, 2022, the Company no longer meets the minimum bid price requirement. The November Notification Letter has no immediate effect on the listing or trading of the Company's common stock on The Nasdaq Capital Market and, at this time, the common stock will continue to trade on The Nasdaq Capital Market under the symbol "NVOS."

The November Notification Letter provides that the Company has 180 calendar days, or until May 22, 2023, to regain compliance with Nasdaq Listing Rule 5550(a)(2). To regain compliance, the bid price of the Company's common stock must have a closing bid price of at least \$1.00 per share for a minimum of 10 consecutive business days. If the Company does not regain compliance by May 22, 2023, an additional 180 days may be granted to regain compliance, so long as the Company meets The Nasdaq Capital Market continued listing requirements (except for the bid price requirement) and notifies Nasdaq in writing of its intention to cure the deficiency during the second compliance period. If the Company does not qualify for the second compliance period or fails to regain compliance during the second 180-day period, then Nasdaq will notify the Company of its determination to delist the Company's common stock, at which point the Company will have an opportunity to appeal the delisting determination to a hearings panel.

The Company intends to monitor the closing bid price of its common stock and will consider implementing available options to regain compliance with the minimum bid price requirement under the Nasdaq Listing Rules.

Information Statement on Schedule 14C

On January 4, 2023, the Company filed with the SEC a definitive information statement on Schedule 14C (the "14C"). The 14C relates to the notice to stockholders concerning the approval by written consent of stockholders holding a majority of the Company's issued and outstanding voting securities (the "Majority Stockholders") of the effectuation of the transactions provided for in each exchange offer and amendment entered into on November 14, 2022 by the Company (the "Exchange Offers and Amendments") with CVI and Hudson Bay, including but not limited to the following amendments to the senior secured convertible notes, dated as of December 14, 2021, issued by the Company to CVI and Hudson (the "Notes"):

(i) the definition of Conversion Price (as defined in the Notes) (the "Conversion Price") shall be amended such that, as to the first \$1,000,000 of principal amount of each of the Notes converted after the date that shareholder approval is obtained, the Conversion Price shall be the lower of (i) the Conversion Price in effect at such time and (ii) 82.0% of the lowest VWAP (as defined in Notes) during the five trading days immediately prior to the applicable conversion date (the "Adjusted Conversion Price"), provided, however, that the portion of the first \$1,000,000 of principal amount of each of the Notes that is converted pursuant to a voluntary conversion by the holders of each of the Notes shall reduce each of the remaining Amortization Redemption Amounts proportionately on a pro rata basis;

(ii) Each of the holders of the Notes may accelerate up to four Amortization Redemption Amounts (as defined in the Notes) provided that such holder agrees to accept shares of Common Stock instead of cash for such payments at a price per share equal to the Adjusted Conversion Price as calculated on the immediately preceding Amortization Date (as defined in the Notes); and

(iii) upon mutual consent by the Company and each of the holders of the Notes, such holder may elect to utilize the Adjusted Conversion Price for the balance of the Notes.

Accordingly, the Majority Stockholders approved, by written consent, the issuance of the total number of shares of Company common stock of the Company necessary to effectuate the Exchange Offers and Amendments, which is currently an indeterminate number due to the methodology of the conversion pricing as described herein and in the Exchange Offers and Amendments.

Stockholder approval of the Exchange Offers and Amendments was required by Rule 5635(d) of The Nasdaq Stock Market, which requires stockholder approval prior to a 20% issuance of securities at a price that is less than the Minimum Price (as defined in the information statement) in a transaction other than a public offering. A 20% issuance is a transaction, other than a public offering, involving the sale, issuance or potential issuance by the company of common stock (or securities convertible into or exercisable for common stock), which alone or together with sales by officers, directors or substantial stockholders of the company, equals 20% or more of the common stock or 20% or more of the voting power outstanding before the issuance.

Such approval and consent by the Majority Stockholders constitute the approval and consent of a majority of the total number of shares of the Company's outstanding voting stock and is sufficient under the Nevada Revised Statutes, the Company's Amended and Restated Articles of Incorporation, as amended, and the Company's Bylaws to approve the Exchange Offers and Amendments. Accordingly, the actions will not be submitted to the other stockholders of the Company for a vote, and the information statement has been furnished to such other stockholders to provide them with certain information concerning the actions in accordance with the requirements of the Exchange Act, and the regulations promulgated under the Exchange Act, including Regulation 14C.

Jefferson Street Letter Agreement

As previously disclosed, on June 1, 2022, the Company and Jefferson agreed to extend the maturity date of the Jefferson Note to November 29, 2022 with a principal amount face value of \$937,500 and interest rate that shall accrue at a rate equal to 1% per annum. On December 2, 2022, the Company made a partial payment of \$199,980 toward principal and interest owed on the Jefferson Note, leaving a balance of \$746,875. On December 13, 2022, the Company, Terra and Jefferson entered into a letter agreement. Pursuant to the terms of the letter agreement, Jefferson agreed to forbear from entering an event of default under the terms of the Jefferson Note and related transaction documents until December 29, 2022. In addition, the parties agreed to release the Collateral Shares to Jefferson. Effective February 16, 2023, the Jefferson Note has been paid in full.

Nasdaq Notification—Delinquent Form 10-K and Form 10-Q Filings

On December 15, 2022, the Company received a notification letter (the “December Notification Letter”) from Nasdaq that it is not in compliance with Nasdaq’s continued listing rules due to its failure to timely file its Annual Report on Form 10-K for the fiscal year ended August 31, 2022 (the “2022 10-K”). On January 25, 2023, the Company received a notification letter (the “January Notification Letter”) from Nasdaq advising the Company that it was not in compliance with Nasdaq’s continued listing requirements as a result of its failure to timely file the 2022 10-K and its Quarterly Report on Form 10-Q for the fiscal quarter ended November 30, 2022 (the “Form 10-Q”). On February 13, 2023, the Company submitted a plan to regain compliance with Nasdaq’s continued listing rules with the respect to the Form 10-K and the Form 10-Q. If Nasdaq accepts the Company’s plan, then Nasdaq may grant an exception of up to 180 calendar days from the due date of the Form 10-K, or until June 12, 2023, to regain compliance.

SwagCheck Agreement

On December 23, 2022, the Company, SwagCheck Inc. (“SWAG”), and all SWAG shareholders (collectively, the “SWAG Shareholders”) entered into that certain Share Purchase Agreement (the “SWAG Agreement”). Pursuant to the terms of the SWAG Agreement, the Company agreed to purchase, and the SWAG Shareholders agreed to sell to the Company, 100% of the outstanding shares of SWAG in exchange for \$1.00 (the “SWAG Purchase”). SWAG holds a specific right of purchase of a precious gem collection (the “Gems”) as provided for in an agreement between SWAG and a Court-appointed Successor Receiver for the United States District Court for the Central District of California (the “Receiver”).

The parties have made customary representations, warranties and covenants in the SWAG Agreement. In addition to certain customary closing conditions, the obligations of SWAG and the SWAG Shareholders to consummate the closing of the SWAG Purchase are subject to the satisfaction (or waiver by any of SWAG or the SWAG Shareholders), at or before the closing date, of certain conditions, including that (i) the Company will have received a financing commitment of at least \$90 million by December 27, 2022, with a closing date no later than December 30, 2022, (ii) \$60 million will be distributed directly to a Receiver for the purchase of the Gems by SWAG, and (iii) \$30 million is a Mark-up to be distributed for the benefit of the outgoing SWAG Shareholders.

In addition to certain customary closing conditions in the SWAG Agreement, the obligations of SWAG and the SWAG Shareholders to consummate the closing of the SWAG Purchase were subject to the satisfaction (or waiver by any of SWAG or the SWAG Shareholders), at or before the closing date, of certain conditions, including that (i) the Company will have provided SWAG with a binding letter of intent (a “LOI”) by a competent financing party for financing in the amount of at least \$90 million by December 27, 2022 with a closing date no later than December 30, 2022, (ii) \$60 million will be distributed directly to the Receiver for the purchase of the Gems by SWAG, and (iii) \$30 million is a mark-up to be distributed for the benefit of the outgoing SWAG Shareholders.

On December 30, 2022, the Company, SWAG and the SWAG Shareholders entered into Amendment No. 1 to the SWAG Agreement (the “SWAG Amendment”). Pursuant to the terms of the SWAG Amendment, the parties agreed as follows:

- The closing of the SWAG Purchase will occur no later than January 10, 2023, with all contemplated extensions being subject to the Receiver’s stipulations, conditions, and limitations.
- The condition for the Company to provide SWAG with a binding LOI has been deleted.
- A total of \$92 million will be distributed as follows: (i) \$60 million will be distributed to the Receiver for the purchase of the Gems by SWAG, and (ii) a \$32 million mark-up will be distributed directly for the benefit of the outgoing SWAG Shareholders.

Although the SWAG Agreement has not yet closed, the parties continue to work together with the intention of closing the transaction. Following the closing of SWAG Purchase, SWAG will be a wholly owned subsidiary of the Company and will own title to the Gems, which the Company intends to either collateralize or sell to raise capital.

Mast Hill Securities Purchase Agreement & Note

On February 23, 2023, the Company entered into a securities purchase agreement (the “Mast Hill SPA”) with Mast Hill Fund, L.P. (“Mast Hill”), pursuant to which the Company issued an 12% unsecured promissory note (the “Mast Hill Note”) with a maturity date of February 23, 2024 (the “Mast Hill Maturity Date”), in the principal sum of \$573,000 (the “Mast Hill Principal Sum”). In addition, the Company issued a common stock purchase warrant for the purchase of up to 1,000,000 shares of the Company’s common stock (the “Mast Hill Warrant”) to Mast Hill pursuant to the Mast Hill SPA. Pursuant to the terms of the Mast Hill Note, the Company agreed to pay the Mast Hill Principal Sum to Mast Hill and to pay interest on the principal balance at the rate of 12% per annum. The Mast Hill Note carries an OID of \$57,300. Accordingly, on the closing date, Mast Hill paid the purchase price of \$515,700 in exchange for the Mast Hill Note and the Mast Hill Warrant. Mast Hill may convert the Mast Hill Note into shares of the Company’s common stock at any time at a conversion price equal to \$0.175 per share, subject to adjustment as provided in the Mast Hill Note (including but not limited to certain price protection provisions in case of future dilutive offerings, subject to certain customary exempt transactions) as well as certain beneficial ownership limitations.

Pursuant to the terms of the Mast Hill Note, the Company agreed to pay accrued interest monthly as well as the Mast Hill Principal Sum as follows: (i) \$57,300 on August 23, 2023, (ii) 57,300 on September 23, 2023, (iii) \$57,300 on October 23, 2023, (iv) \$100,000 on November 23, 2023, (v) \$100,000 on December 23, 2023, (vi) \$100,000 on January 23, 2023, and (vii) all remaining amounts owed under the Mast Hill Note on the Mast Hill Maturity Date (each of the aforementioned payments are an "Amortization Payment"). If the Company fails to make any Amortization Payment, then Mast Hill shall have the right to convert the amount of such respective Amortization Payment into shares of common stock as provided in the Mast Hill Note at the lesser of (i) the then applicable conversion price under the Mast Hill Note, or (ii) 85% of the lowest VWAP of the Company's common stock on any trading day during the five trading days prior to the respective conversion date.

The Company may prepay the Mast Hill Note at any time prior to the date that an Event of Default (as defined in the Mast Hill Note) occurs at an amount equal to the Mast Hill Principal Sum then outstanding plus accrued and unpaid interest (no prepayment premium) plus \$750 for administrative fees. The Mast Hill Note contains customary events of default relating to, among other things, payment defaults, breach of representations and warranties, and breach of provisions of the Mast Hill Note, Mast Hill Warrant, or Mast Hill SPA.

Upon the occurrence of any Event of Default, the Mast Hill Note shall become immediately due and payable and the Company shall pay to Mast Hill, in full satisfaction of its obligations hereunder, an amount equal to the Mast Hill Principal Sum then outstanding plus accrued interest multiplied by 125%. Upon the occurrence of an Event of Default, additional interest will accrue from the date of the Event of Default at the rate equal to the lower of 16% per annum or the highest rate permitted by law.

The Mast Hill Warrant is exercisable for five years from February 23, 2023, at an exercise price of \$0.25 per share, subject to adjustment as provided in the Mast Hill Warrant. The Mast Hill Warrant also contains certain cashless exercise provisions as well as price protection provisions providing for adjustment of the number of shares of the Company's common stock issuable upon exercise of the Mast Hill Warrant and the exercise price in case of future dilutive offerings, subject to certain customary exempt transactions.

As additional consideration for the purchase of the Mast Hill Note and pursuant to the terms of the Mast Hill SPA, on February 24, 2023, the Company issued 955,000 restricted shares of common stock (the "Commitment Shares") to Mast Hill at closing. The Mast Hill SPA contains customary representations, warranties, and covenants of the Company, including, among other things and subject to certain exceptions, piggy-back registration rights with respect to the Commitment Shares as well as the shares of common stock underlying the Mast Hill Note and the Mast Hill Warrant. In addition to the beneficial ownership limitations provided in the Mast Hill Note and the Mast Hill Warrant, the sum of the number of shares of common stock that may be issued under the Mast Hill SPA (including the Commitment Shares), the Mast Hill Note, and the Mast Hill Warrant shall be limited to 19.9% of the issued and outstanding common stock on the closing date (equal to 27,720,448 shares) as further described in the Mast Hill SPA, unless shareholder approval to exceed such limitation is obtained by the Company.

On March 23, 2023, the Company made a monthly interest-only payment to Mast Hill in the amount of \$5,086.

March 2023 FirstFire Securities Purchase Agreement, Note & Warrant

On March 21, 2023, the Company entered into a securities purchase agreement (the "SPA") with FirstFire, pursuant to which the Company issued an 12% unsecured promissory note (the "2023 FirstFire Note") with a maturity date of March 21, 2024, in the principal sum of \$573,000 (the "Principal Sum"). In addition, the Company issued a common stock purchase warrant for the purchase of up to 1,000,000 shares of the Company's common stock (the "2023 FirstFire Warrant") to FirstFire pursuant to the SPA. Pursuant to the terms of the 2023 FirstFire Note, the Company agreed to pay the Principal Sum to FirstFire and to pay interest on the principal balance at the rate of 12% per annum. The 2023 FirstFire Note carries an OID of \$57,300. Accordingly, on the closing date, FirstFire paid the purchase price of \$515,700 in exchange for the 2023 FirstFire Note and the 2023 FirstFire Warrant. FirstFire may convert the 2023 FirstFire Note into the Company's common stock at any time at a conversion price equal to \$0.175 per share, subject to adjustment as provided in the 2023 FirstFire Note (including but not limited to certain price protection provisions in case of future dilutive offerings, subject to certain customary exempt transactions) as well as certain beneficial ownership limitations.

Pursuant to the terms of the 2023 FirstFire Note, the Company agreed to pay accrued interest monthly as well as the Principal Sum as follows: (i) \$57,300 on September 21, 2023, (ii) 57,300 on October 21, 2023, (iii) \$57,300 on November 21, 2023, (iv) \$100,000 on December 21, 2023, (v) \$100,000 on January 21, 2024, (vi) \$100,000 on February 21, 2024, and (vii) all remaining amounts owed under the 2023 FirstFire Note on the maturity date (each of the aforementioned payments are an "Amortization Payment"). If the Company fails to make any Amortization Payment, then FirstFire shall have the right to convert the amount of such respective Amortization Payment into shares of common stock as provided in the 2023 FirstFire Note at the lesser of (i) the then applicable conversion price under the 2023 FirstFire Note or (ii) 85% of the lowest VWAP of the Company's common stock on any trading day during the five trading days prior to the respective conversion date.

The Company may prepay the 2023 FirstFire Note at any time prior to the date that an event of default (as provided in the 2023 FirstFire Note) occurs at an amount equal to the Principal Sum then outstanding plus accrued and unpaid interest (no prepayment premium) plus \$750 for administrative fees. The 2023 FirstFire Note contains customary events of default relating to, among other things, payment defaults, breach of representations and warranties, and breach of provisions of the 2023 FirstFire Note, the 2023 FirstFire Warrant, or SPA.

Upon the occurrence of any event of default, the 2023 FirstFire Note shall become immediately due and payable and the Company shall pay to FirstFire, in full satisfaction of its obligations hereunder, an amount equal to the Principal Sum then outstanding plus accrued interest multiplied by 125% (the "Default Amount"). Upon the occurrence of an Event of Default, additional interest will accrue from the date of the Event of Default at the rate equal to the lower of 16% per annum or the highest rate permitted by law.

The 2023 FirstFire Warrant is exercisable for five years from March 21, 2023, at an exercise price of \$0.25 per share, subject to adjustment as provided in the 2023 FirstFire Warrant. The 2023 FirstFire Warrant also contains certain cashless exercise provisions as well as price protection provisions providing for adjustment of the number of shares of common stock issuable upon exercise of the 2023 FirstFire Warrants and the exercise price in case of future dilutive offerings, subject to certain customary exempt transactions.

As additional consideration for the purchase of the 2023 FirstFire Note and pursuant to the terms of the SPA, on March 22, 2023, the Company issued 955,000 restricted shares of the Company's common stock (the "Commitment Shares") to FirstFire at closing. The SPA contains customary representations, warranties, and covenants of the Company, including, among other things and subject to certain exceptions, piggy-back registration rights with respect to the Commitment Shares as well as the shares of common stock underlying the 2023 FirstFire Note and the 2023 FirstFire Warrant. In addition to the beneficial ownership limitations provided in the 2023 FirstFire Note and the 2023 FirstFire Warrant, the sum of the number of shares of common stock that may be issued under the SPA (including the Commitment Shares), the 2023 FirstFire Note, and 2023 FirstFire Warrant shall be limited to 10,000,000 shares as further described in the SPA, unless shareholder approval to exceed such limitation is obtained by the Company.

For the fiscal year ended August 31, 2022 compared to the fiscal year ended August 31, 2021

Revenues for the year ended August 31, 2022 were \$11,737,937, representing an increase of \$2,432,682, or 26%, from \$9,305,255 for the same period in 2021. The increase in revenue is principally due to an increase in product sales which resulted in an increase in revenue of \$756,428. Acenzia's and Terragenx's revenue for the year ended August 31, 2022 was \$3,067,772 and \$266,635, respectively. Revenue from our healthcare services decreased by 5.2%, when comparing the revenue for the year ended August 31, 2022 to the same period in 2021, primarily due to a COVID-19 surge in Ontario province Canada and COVID-19 staffing related shortages limiting clinic and eldercare patient-practitioner direct personal interaction.

Cost of revenues for the year ended August 31, 2022 were \$6,938,699, representing an increase of \$1,456,442 or 27%, from \$5,482,257 for the same period in 2021. The increase was principally due to the increase in revenues. Cost of revenues as a percentage of revenue was 59% for the year ended August 31, 2022 and 59% for same period in 2021.

Operating costs for the year ended August 31, 2022 were \$29,825,915, representing an increase of \$21,629,398, or 264%, from \$8,196,517 for the same period in 2021. The increase in operating costs is principally due to (i) the increase in overhead expenses associated with the operations of Acenzia, PRO-DIP, and Terragenx, and (ii) an increase in the impairment of intangible assets and goodwill.

Other expense for the year ended August 31, 2022 was \$8,040,803, representing an increase of \$7,943,387, or 8154%, from other expense of \$97,416 for the same period in 2021. The increase is due to issuance of convertible notes for \$1,875,000 in November 2021 and \$16,666,666 in December 2021, as well as the amortization of the debt discounts associated with the convertible notes.

Net loss attributed to Novo Integrated Sciences for the year ended August 31, 2022 was \$32,849,215, representing an increase of \$28,387,068, or 636%, from \$4,462,147 for the same period in 2021. The increase in net loss is principally due to (i) an increase in impairment of intangible assets, (ii) an increase in the amortization of debt discount, (iii) an increase in the impairment of goodwill, (iv) an increase in depreciation amortization, (v) an increase in interest expense, and (vi) an increase in overhead expenses associated with the operations of Acenzia, PRO-DIP, and Terragenx.

Liquidity and Capital Resources

As shown in the accompanying financial statements, for the fiscal years ended August 31, 2022 and 2021, the Company has had net losses of \$33,045,178 and \$4,470,935, respectively.

During the year ended August 31, 2022, the Company used cash in operating activities of \$5,884,145 compared to \$1,024,802 for the same period in 2021. The principal reason for the increase in cash used in operating activities is changes in noncash expenses and changes in operating asset and liability accounts.

During the year ended August 31, 2022, the Company's cash provided by investing activities was \$163,459 compared to \$2,999,122 for the same period in 2021. During 2022, the Company (i) acquired cash of \$57,489 with the acquisitions, and (ii) purchased property and equipment for \$190,168. During the period in 2022, the Company collected other receivable of \$296,138.

During the year ended August 31, 2022, the Company used cash in financing activities of \$427,117 compared to cash provided by financing activities of \$4,316,862 for the same period in 2021. The primary reason for the change is the receipt of \$15,270,000 in cash from the issuance of convertible notes, net of issuance costs, and \$16,600 received from related parties, offset by the repayments of \$5,104,167 for convertible notes, \$10,591,115 for notes payable, and \$18,435 for finance leases.

On October 12, 2019, the Company accepted a \$75,328 subscription agreement from an accredited investor residing outside the United States for the sale of 235,400 restricted shares of the Company's common stock, resulting in an effective price per share of \$0.32. The shares were issued on October 15, 2019. The issuance of shares of common stock was exempt from the registration requirements of the Securities Act in reliance upon Regulation S promulgated pursuant to the Securities Act. The issuances involved offers and sales of securities outside the United States. The offers and sales were made in offshore transactions and no directed selling efforts were made by the issuer, a distributor, their affiliates or any persons acting on their behalf.

On October 19, 2019, the Company accepted a \$38,071 subscription agreement from an accredited investor residing outside the United States for the sale of 118,969 restricted shares of the Company's common stock, resulting in an effective price per share of \$0.32. The shares were issued on October 22, 2019. The issuance of shares of common stock was exempt from the registration requirements of the Securities Act in reliance upon Regulation S promulgated pursuant to the Securities Act. The issuances involved offers and sales of securities outside the United States. The offers and sales were made in offshore transactions and no directed selling efforts were made by the issuer, a distributor, their affiliates or any persons acting on their behalf.

On September 24, 2020, the Company accepted a \$92,000 subscription agreement from an accredited investor residing outside the United States for the sale of 21,905 restricted shares of the Company's common stock, resulting in an effective price per share of \$4.20. The shares were issued on September 24, 2020. The issuance of shares of common stock was exempt from the registration requirements of the Securities Act in reliance upon Regulation S promulgated pursuant to the Securities Act. The issuances involved offers and sales of securities outside the United States. The offers and sales were made in offshore transactions and no directed selling efforts were made by the issuer, a distributor, their affiliates or any persons acting on their behalf.

On February 9, 2021, the Company received \$12,000 as a result of a stock option for 7,500 options being exercised at a per option price of \$1.60. The 7,500 shares issued for this option were registered on a Form S-8 filed by the Company with the Securities and Exchange Commission on January 25, 2018 (Commission File No. 333-222686). The Shares were issued on March 1, 2021.

On April 13, 2021, the Company sold 2,388,050 shares of common stock under the terms and conditions of a Securities Purchase Agreement, dated April 9, 2021, in a registered direct offering for an agreed upon purchase price of \$3.35 per share resulting in gross proceeds of \$7,999,968. The Company incurred offering cost of \$764,388 associated with this offering resulting in net proceeds of \$7,235,580. The shares were issued on April 13, 2021.

Financial Impact of COVID-19

In December 2019, a novel strain of coronavirus (COVID-19) emerged in Wuhan, Hubei Province, China. On March 17, 2020, as a result of COVID-19 pandemic having been reported throughout both Canada and the United States, certain national, provincial, state and local governmental authorities issued proclamations and/or directives aimed at minimizing the spread of COVID-19. Accordingly, on March 17, 2020, the Company closed all corporate clinics for all in-clinic non-essential services to protect the health and safety of its employees, partners, and patients. Commencing in May 2020, the Company was able to begin providing some services, and was fully operational again in June 2020. As of August 31, 2022, all corporate clinics were open and fully operational, with staffing shortages in some facilities due to ongoing COVID-19 residual impact, while following all mandated guidelines and protocols from Health Canada, the Ontario Ministry of Health, and the respective disciplines' regulatory Colleges to ensure a safe treatment environment for our staff and clients, and our eldercare operations are fully operational. In addition, Acenzia, Terragenx, PRO-DIP, and CCI are open and fully operational, with staffing shortages due to ongoing COVID-19 residual impact, while following all local, state, provincial, and national guidelines and protocols related to minimizing the spread of the COVID-19 pandemic.

Canadian federal and provincial COVID-19 governmental proclamations and directives, including interprovincial travel restrictions, have presented unprecedented challenges to launching both our Harvest Gold Farms and Kainai Cooperative joint ventures which relate to the development, management, and arrangement of medicinal farming projects involving industrial hemp for medicinal Cannabidiol (CBD) applications. During the three-month period ended August 31, 2022, as part of the Company's Kainai Cooperative joint venture, the Company has commenced a pilot program, on approximately 100 acres, which involves the growth and harvest of industrial hemp for the purpose of extraction. The Harvest Gold Farms joint venture has not commenced as of August 31, 2022.

For the fiscal year period ended August 31, 2022, the Company's total revenue from all clinic and eldercare related contracted services was \$8,397,857, representing a 5.2% decrease of \$459,836 compared to \$8,857,693 during the fiscal year period in 2021. This decrease is primarily due to a COVID-19 surge in Ontario province Canada and COVID-19 staffing related shortages limiting clinic and eldercare patient-practitioner direct personal interaction.

While all of the Company's business units are operational at the time of this filing, any future impact of the COVID-19 pandemic on the Company's operations remains unknown and will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including, but not limited to, (i) the duration of the COVID-19 outbreak and additional variants that may be identified, (ii) new information which may emerge concerning the severity of the COVID-19 pandemic, and (iii) any additional preventative and protective actions that governments, or the Company, may direct, which may result in an extended period of continued business disruption, reduced patient traffic, and reduced operations.

Our capital requirements going forward will consist of financing our operations until we are able to reach a level of revenues and gross margins adequate to equal or exceed our ongoing operating expenses. We do not have any credit agreement or source of liquidity immediately available to us.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

We believe that the following critical policies affect our more significant judgments and estimates used in preparation of our financial statements.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The Company regularly evaluates estimates and assumptions. The Company bases its estimates and assumptions on current facts, historical experience, and various other factors that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources. This applies in particular to useful lives of non-current assets, impairment of non-current assets, allowance for doubtful accounts, allowance for slow moving and obsolete inventory, and valuation allowance for deferred tax assets. The actual results experienced by the Company may differ materially and adversely from the Company's estimates. To the extent there are material differences between the estimates and the actual results, future results of operations will be affected.

Property and Equipment

Property and equipment are stated at cost less depreciation and impairment. Expenditures for maintenance and repairs are charged to earnings as incurred; additions, renewals and betterments are capitalized. When property and equipment are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts, and any gain or loss is included in operations. Depreciation of property and equipment is provided using the declining balance method for substantially all assets with estimated lives as follows:

Building	30 years
Leasehold improvements	5 years
Clinical equipment	5 years
Computer equipment	3 years
Office equipment	5 years
Furniture and fixtures	5 years

The Company has not changed its estimate for the useful lives of its property and equipment, but would expect that a decrease in the estimated useful lives of property and equipment of 20% would result in an annual increase to depreciation expense of approximately \$175,530, and an increase in the estimated useful lives of property and equipment of 20% would result in an annual decrease to depreciation expense of approximately \$117,020.

Intangible Assets

The Company's intangible assets are being amortized over their estimated useful lives as follows:

Land use rights	50 years (the lease period)
Software license	7 years
Intellectual property	7 years
Customer relationships	5 years
Brand names	7 years

The intangible assets with finite useful lives are reviewed for impairment when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amounts. In that event, a loss is recognized based on the amount by which the carrying amount exceeds the fair value of the long-lived assets. The Company has not changed its estimate for the useful lives of its intangible assets but would expect that a decrease in the estimated useful lives of intangible assets of 20% would result in an annual increase to amortization expense of approximately \$532,792, and an increase in the estimated useful lives of intangible assets of 20% would result in an annual decrease to amortization expense of approximately \$355,195.

Long-Lived Assets

The Company applies the provisions of ASC Topic 360, *Property, Plant, and Equipment*, which addresses financial accounting and reporting for the impairment or disposal of long-lived assets. ASC 360 requires impairment losses to be recorded on long-lived assets, including right-of-use assets, used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amounts. In that event, a loss is recognized based on the amount by which the carrying amount exceeds the fair value of the long-lived assets. Loss on long-lived assets to be disposed of is determined in a similar manner, except that fair values are reduced for the cost of disposal.

Right-of-use Assets

The Company's right-of-use assets consist of leased assets recognized in accordance with ASC 842, *Leases*, which requires lessees to recognize a lease liability and a corresponding lease asset for virtually all lease contracts. Right-of-use assets represent the Company's right to use an underlying asset for the lease term and lease liability represents the Company's obligation to make lease payments arising from the lease, both of which are recognized based on the present value of the future minimum lease payments over the lease term at the commencement date. Leases with a lease term of 12 months or less at inception are not recorded on the consolidated balance sheet and are expensed on a straight-line basis over the lease term in the consolidated statements of operations and comprehensive loss. The Company determines the lease term by agreement with lessor. In cases where the lease does not provide an implicit interest rate, the Company uses the Company's incremental borrowing rate based on the information available at commencement date in determining the present value of future payments.

Goodwill

Goodwill represents the excess of purchase price over the underlying net assets of businesses acquired. Under U.S. GAAP, goodwill is not amortized but is subject to annual impairment tests. The Company recorded goodwill related to its acquisition of APKA Health, Inc. ("APKA") during the fiscal year ended August 31, 2017, Executive Fitness Leaders ("EFL") during the fiscal year ended August 31, 2018, Action Plus Physiotherapy Rockland ("Rockland") during the fiscal year ended August 31, 2019, Acenzia, Inc. ("Acenzia") during fiscal year ended August 31, 2021, and 12858461 Canada Corp. ("1285"), and Fairway Physiotherapy and Sports Injury Clinic ("Fairway") during fiscal year ended August 31, 2022. As of August 31, 2022, the Company performed the required impairment reviews and determined that an impairment charge of \$1,357,043 (2021- \$99,351) related to goodwill was necessary. The impairment was determined based on the fair value of the acquired business, which was estimated based on a discounted cash flow valuation model and the projected future cash flows of the underlying business.

Accounts Receivable

Accounts Receivable are recorded, net of allowance for doubtful accounts and sales returns. Management reviews the composition of accounts receivable and analyzes historical bad debts, customer concentration, customer credit worthiness, current economic trends, and changes in customer payment patterns to determine if the allowance for doubtful accounts is adequate. An estimate for doubtful accounts is made when collection of the full amount is no longer probable. Delinquent account balances are written-off after management has determined that the likelihood of collection is not probable and known bad debts are written off against the allowance for doubtful accounts when identified. The Company has not changed its methodology for estimating allowance for doubtful accounts and historically the change in estimate has not been significant to the Company's financial statements. If there is a deterioration of the Company's customers' ability to pay or if future write-offs of receivables differ from those currently anticipated, the Company may have to adjust its allowance for doubtful accounts, which would affect earnings in the period the adjustments are made.

Inventory

Inventories are valued at the lower of cost (determined by the first in, first out method) and net realizable value. Management compares the cost of inventories with the net realizable value and allowance is made for writing down their inventories to net realizable value, if lower. Inventory is segregated into three areas: raw materials, work-in-process and finished goods. The Company periodically assessed its inventory for slow moving and/or obsolete items and any change in the allowance is recorded in cost of revenue in the accompanying consolidated statements of operations and comprehensive loss. If any are identified an appropriate allowance for those items is made and/or the items are deemed to be impaired.

Income Taxes

The Company accounts for income taxes in accordance with ASC Topic 740, *Income Taxes*. ASC 740 requires a company to use the asset and liability method of accounting for income taxes, whereby deferred tax assets are recognized for deductible temporary differences, and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion, or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment. The Company has not changed its methodology for estimating the valuation allowance. A change in valuation allowance affect earnings in the period the adjustments are made and could be significant due to the large valuation allowance currently established.

Under ASC 740, a tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. The Company has no material uncertain tax positions for any of the reporting periods presented.

Revenue Recognition

The Company's revenue recognition reflects the updated accounting policies as per the requirements of ASU No. 2014-09, *Revenue from Contracts with Customers* ("Topic 606"). As sales are and have been primarily from providing healthcare services the Company has no significant post-delivery obligations.

Revenue from providing healthcare and healthcare related services and product sales are recognized under *Topic 606* in a manner that reasonably reflects the delivery of its products and services to customers in return for expected consideration and includes the following elements:

- executed contracts with the Company's customers that it believes are legally enforceable;
- identification of performance obligations in the respective contract;
- determination of the transaction price for each performance obligation in the respective contract;
- allocation the transaction price to each performance obligation; and
- recognition of revenue only when the Company satisfies each performance obligation.

These five elements, as applied to the Company's revenue category, are summarized below:

- Healthcare and healthcare related services – gross service revenue is recorded in the accounting records at the time the services are provided (point-in-time) on an accrual basis at the provider's established rates. The Company reserves a provision for contractual adjustment and discounts that are deducted from gross service revenue. The Company reports revenues net of any sales, use and value added taxes.
- Product sales – revenue is recorded at the point of time of delivery

In arrangements where another party is involved in providing specified services to a customer, the Company evaluates whether it is the principal or agent. In this evaluation, the Company considers if the Company obtains control of the specified goods or services before they are transferred to the customer, as well as other indicators such as the party primarily responsible for fulfillment, inventory risk, and discretion in establishing price. For product sales where the Company is not the principal, the Company recognizes revenue on a net basis. For the periods presented, revenue for arrangements where the Company is the agent was not material.

Stock-Based Compensation

The Company records stock-based compensation in accordance with FASB ASC Topic 718, *Compensation – Stock Compensation*. FASB ASC Topic 718 requires companies to measure compensation cost for stock-based employee compensation at fair value at the grant date and recognize the expense over the requisite service period. The Company recognizes in the consolidated statements of operations and comprehensive loss the grant-date fair value of stock options and other equity-based compensation issued to employees and non-employees.

Basic and Diluted Earnings Per Share

Earnings per share is calculated in accordance with ASC Topic 260, *Earnings Per Share*. Basic earnings per share ("EPS") is based on the weighted average number of common shares outstanding. Diluted EPS assumes that all dilutive securities are converted. Dilution is computed by applying the treasury stock method. Under this method, options and warrants are assumed to be exercised at the beginning of the period (or at the time of issuance, if later), and as if funds obtained thereby were used to purchase common stock at the average market price during the period.

Foreign Currency Transactions and Comprehensive Income

U.S. GAAP generally requires recognized revenue, expenses, gains and losses be included in net income. Certain statements, however, require entities to report specific changes in assets and liabilities, such as gain or loss on foreign currency translation, as a separate component of the equity section of the balance sheet. Such items, along with net income, are components of comprehensive income. The functional currency of the Company's Canadian subsidiaries is the Canadian dollar and the functional currency of the Parent is the United States dollar. Translation gains (losses) are classified as an item of other comprehensive income in the stockholders' equity section of the balance sheet.

New Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. ASU 2016-13 was issued to improve financial reporting by requiring earlier recognition of credit losses on financing receivables and other financial assets in scope. The new standard represents significant changes to accounting for credit losses. Full lifetime expected credit losses will be recognized upon initial recognition of an asset in scope. The current incurred loss impairment model that recognizes losses when a probable threshold is met will be replaced with the expected credit loss impairment method without recognition threshold. The expected credit losses estimate will be based upon historical information, current conditions, and reasonable and supportable forecasts. This ASU as amended by ASU 2019-10, is effective for fiscal years beginning after December 15, 2023. The Company is currently evaluating the effect of this ASU on the Company's consolidated financial statements and related disclosures.

In December 2019, the FASB issued ASU 2019-12, *Simplifying the Accounting for Income Taxes* which amends ASC 740 *Income Taxes* (ASC 740). This update is intended to simplify accounting for income taxes by removing certain exceptions to the general principles in ASC 740 and amending existing guidance to improve consistent application of ASC 740. This update is effective for fiscal years beginning after December 15, 2021. The guidance in this update has various elements, some of which are applied on a prospective basis and others on a retrospective basis with earlier application permitted. The Company is currently evaluating the effect of this ASU on the Company's consolidated financial statements and related disclosures.

In May, the FASB issued ASU 2021-04, *Earnings Per Share (Topic 260), Debt—Modifications and Extinguishments (Subtopic 470-50), Compensation—Stock Compensation (Topic 718), and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Issuer's Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options*. This update provides guidance for a modification or an exchange of a freestanding equity-classified written call option that is not within the scope of another Topic. This update is effective for fiscal years beginning after December 15, 2021. The Company is currently evaluating the effect of this ASU on the Company's consolidated financial statements and related disclosures.

In August 2020, the FASB issued guidance that simplifies the accounting for debt with conversion options, revises the criteria for applying the derivative scope exception for contracts in an entity's own equity, and improves the consistency for the calculation of earnings per share. The guidance is effective for annual reporting periods and interim periods within those annual reporting periods beginning after December 15, 2021, our fiscal 2023.

In March 2020, the FASB issued guidance providing optional expedites and exceptions to account for the effects of reference rate reform to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued. The optional guidance, which became effective on March 12, 2020 and can be applied through December 21, 2022, has not impacted our consolidated financial statements. The Company has various contracts that reference LIBOR and is assessing how this standard may be applied to specific contract modifications through December 31, 2022.

Management does not believe that any recently issued, but not yet effective, accounting standards could have a material effect on the accompanying financial statements. As new accounting pronouncements are issued, we will adopt those that are applicable under the circumstances.

Recent accounting pronouncements issued by the FASB, the American Institute of Certified Public Accountants and the SEC did not or are not believed by management to have a material effect on the Company's financial statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**NOVO INTEGRATED SCIENCES, INC.
Consolidated Financial Statements****Contents**

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Novo Integrated Sciences, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of Novo Integrated Sciences, Inc. and its subsidiaries ("the Company") as of August 31, 2022, and the related consolidated statements of operations and comprehensive loss, stockholders' equity, and cash flows for the year then ended, and the related notes (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of August 31, 2022, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has recurring losses from operations, negative cash flows, and an accumulated deficit as of August 31, 2022. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Impairment of Goodwill & Intangibles

Description of the Critical Audit Matter

As discussed in Note 2 and 8 to the financial statements, the Company annually assesses goodwill for impairment. The company periodically reviews its intangible assets if any impairment indicators arise. The company recorded impairment charges for both goodwill and intangible assets during the year.

Evaluation of impairment of goodwill and intangibles involves significant complexity and judgement due to management's significant estimations required to determine the fair value of goodwill, intangibles and any impairment. In particular, the fair value estimate was sensitive to significant assumptions, such as the Company's financial forecast, discount rates, and historical and future operating costs, which are all impacted by expectations about future market and economic conditions.

How the Critical Audit Matter was Addressed in the Audit

Our principal audit procedures to evaluate management's evaluation of goodwill and intangibles included, among other procedures, the following:

- We performed analysis on discounted cash flow projections on each entity with goodwill and intangible assets.
- We analyzed the significant estimates which included assessment of methodologies and tested the significant assumptions and underlying data used by the Company in its analysis.
- We performed an assessment of the current financial forecast in light of management's current plans, and the historical basis of management's estimates and assumptions based on its current operating results.

Business Combinations - acquisitions

Descriptions of the Critical Audit Matter

As discussed in Note 16 to the financial statements, the Company acquired several businesses throughout the year.

The acquisition of businesses involves significant complexity and judgement in applying the relevant accounting standards when auditing management's acquisition accounting and purchase price allocations.

How the Critical Audit Matter was Addressed in the Audit

Our principal audit procedures to evaluate management's evaluation of business combinations - acquisitions included, among other procedures, the following:

- We obtained and reviewed acquisition agreements, board minutes, closing agreements and performed GAAP analysis to determine reasonableness of acquisition dates and whether acquisitions qualified for business combination accounting.
- We tested the fair value of assets acquired and liabilities assumed, purchase consideration, and allocations of identifiable intangible assets and goodwill.
- We evaluated whether management had considered new information subsequent to acquisition that could significantly change the purchase price allocation and any related contingent liability.

Revenue Recognition - principal vs agent

Descriptions of the Critical Audit Matter

As discussed in Note 2 to the financial statements, the Company primarily provides healthcare services and product sales. Revenue is recognized at a point in time when performance obligations have been met and when the Company is reasonably sure of collections.

The determination of the Company's role as principal or agent in certain product sales involves significant complexity and judgement in applying the relevant accounting standards when auditing management's ASC 606 methodologies and conclusions.

How the Critical Audit Matter was Addressed in the Audit

Our principal audit procedures to evaluate management's determination over whether sales were made as principal or agent include, among other procedures the following:

- We obtained and reviewed management's ASC 606 methodology and analysis which included a determination of the parties that were acting as principal or agent for certain product sales throughout the year.
- We performed our own independent ASC 606 analysis which included analysis over the company's sales, inventory and credit risks and control of the specified goods prior to customer delivery to determine whether the company was acting as principal or agent for certain product sales throughout the year.

Fruci & Associates II, PLLC

We have served as the Company's auditor since 2022.

Spokane, Washington

April 3, 2023

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors of

Novo Integrated Sciences, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Novo Integrated Sciences, Inc. and its subsidiaries (the Company) as of August 31, 2021 and 2020, and the related consolidated statements of operations and comprehensive loss, stockholders' equity, and cash flows for each of the years in the two-year period ended August 31, 2021, and the related notes (collectively, the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of August 31, 2021 and 2020, and the results of its operations and its cash flows for each of the years in the two-year period ended August 31, 2021, in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Report of Independent Registered Public Accounting Firm to the Stockholders and Board of Directors of Novo Integrated Sciences, Inc. (Continued)

Business acquisitions

Description of the Critical Audit Matter

As discussed in Note 15 to the financial statements, the Company acquired certain businesses during the year ended August 31, 2021.

Auditing business combinations were complex and highly judgmental due to the justification of business and significant estimation required to determine the fair value of assets acquired / liabilities assumed, the purchase consideration conveyed and the resulting intangible assets and goodwill recognized, and the significant judgment by management when estimating the fair value of the acquisition related contingent consideration liability.

How the Critical Audit Matter was Addressed in the Audit

To audit the accounting of the business combination transactions, we evaluated the justification of business acquisition from management to ensure the compliance with U.S. GAAP; and we reviewed the fair value calculation of assets acquired / liabilities assumed, the purchase consideration conveyed and the resulting intangible assets and goodwill recognized and valuation expert's report that included methodology and assumptions used and assessed those inputs to be reasonable, testing management's process for determining the fair value of the acquisition related contingent consideration liability, and testing the completeness and accuracy of the underlying data used in the fair value calculation.

Impairment of Intangible Assets and Goodwill

Description of the Critical Audit Matter

As discussed in Note 2 to the financial statements, the Company recorded impairment charges on goodwill during the year ended August 31, 2021.

Auditing management's goodwill and intangible assets impairment test was complex and highly judgmental due to the significant estimation required to determine the fair value of the intangible assets and goodwill and underlying reporting unit. In particular, the fair value estimate was sensitive to significant assumptions, such as the Company's financial forecast, discount rate, and operating costs, which are impacted by expectations about future market and economic conditions.

How the Critical Audit Matter Was Addressed in the Audit

To test the estimated fair value of the Company's intangible assets and goodwill and underlying reporting unit, we performed audit procedures that included, among other things, assessing methodologies and testing the significant assumptions discussed above and the underlying data used by the Company in its analysis. In addition, we assessed the current financial forecast in light of management's current plans, and we assessed the historical basis of management's estimates based on its current operating results that would result from changes in the assumptions.

/s/ SRCO Professional Corporation

We have served as the Company's auditor since 2020
Richmond Hill, Ontario, Canada
December 14, 2021

CHARTERED PROFESSIONAL ACCOUNTANTS
Authorized to practice public accounting by the
Chartered Professional Accountants of Ontario

NOVO INTEGRATED SCIENCES, INC.
CONSOLIDATED BALANCE SHEETS
As of August 31, 2022 and 2021

	August 31, 2022	August 31, 2021
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 2,178,687	\$ 8,293,162
Accounts receivable, net	1,017,405	1,468,429
Inventory, net	879,033	339,385
Other receivables, current portion	1,085,335	814,157
Prepaid expenses and other current assets	571,335	218,376
Total current assets	5,731,795	11,133,509
Property and equipment, net	5,800,648	6,070,291
Intangible assets, net	18,840,619	32,029,499
Right-of-use assets, net	2,673,934	2,543,396
Other receivables, net of current portion	-	692,738
Goodwill	7,825,844	9,488,848
TOTAL ASSETS	\$ 40,872,840	\$ 61,958,281
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 1,800,268	\$ 1,449,784
Accrued expenses	1,116,125	1,129,309
Accrued interest (including amounts to related parties)	454,189	366,280
Government loans and notes payable, current portion	-	4,485,649
Convertible notes payable, net of discount of \$2,851,048	9,099,654	-
Contingent liability	534,595	-
Due to related parties	478,897	478,920
Finance lease liability, current portion	8,890	23,184
Operating lease liability, current portion	582,088	530,797
Total current liabilities	14,074,706	8,463,923
Debentures, related parties	946,250	982,205
Government loans and notes payable, net of current portion	161,460	5,133,604
Finance lease liability, net of current portion	12,076	16,217
Operating lease liability, net of current portion	2,185,329	2,057,805
Deferred tax liability	1,445,448	1,500,372
TOTAL LIABILITIES	18,825,269	18,154,126
Commitments and contingencies	-	-
STOCKHOLDERS' EQUITY		
Novo Integrated Sciences, Inc.		
Convertible preferred stock; \$0.001 par value; 1,000,000 shares authorized; 0 and 0 shares issued and outstanding at August 31, 2022 and August 31, 2021, respectively	-	-
Common stock; \$0.001 par value; 499,000,000 shares authorized; 31,180,603 and 26,610,144 shares issued and outstanding at August 31, 2022 and August 31, 2021, respectively	31,181	26,610
Additional paid-in capital	66,056,824	54,579,396
Common stock to be issued (4,149,633 and 3,622,199 shares at August 31, 2022 and August 31, 2021)	9,474,807	9,236,607
Other comprehensive income	560,836	991,077
Accumulated deficit	(53,818,489)	(20,969,274)
Total Novo Integrated Sciences, Inc. stockholders' equity	22,305,159	43,864,416
Noncontrolling interest	(257,588)	(60,261)
Total stockholders' equity	22,047,571	43,804,155
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 40,872,840	\$ 61,958,281

The accompanying footnotes are an integral part of these consolidated financial statements.

NOVO INTEGRATED SCIENCES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
For the Years Ended August 31, 2022 and 2021

	Years Ended	
	<u>August 31, 2022</u>	<u>August 31, 2021</u>
Revenues	\$ 11,737,937	\$ 9,305,255
Cost of revenues	<u>6,938,699</u>	<u>5,482,257</u>
Gross profit	<u>4,799,238</u>	<u>3,822,998</u>
Operating expenses:		
Selling expenses	20,702	7,525
General and administrative expenses	14,364,639	8,089,641
Impairment of assets	14,083,531	
Goodwill impairment	1,357,043	99,351
Total operating expenses	<u>29,825,915</u>	<u>8,196,517</u>
Loss from operations	<u>(25,026,677)</u>	<u>(4,373,519)</u>
Non-operating income (expense)		
Interest income	169,088	45,687
Interest expense	(1,594,275)	(165,003)
Other income	-	21,900
Amortization of debt discount	(5,973,973)	-
Foreign currency transaction losses	(641,643)	-
Total other income (expense)	<u>(8,040,803)</u>	<u>(97,416)</u>
Loss before income taxes	<u>(33,067,480)</u>	<u>(4,470,935)</u>
Income tax expense	<u>(22,302)</u>	<u>-</u>
Net loss	<u>\$ (33,045,178)</u>	<u>\$ (4,470,935)</u>
Net loss attributed to noncontrolling interest	<u>(195,963)</u>	<u>(8,788)</u>
Net loss attributed to Novo Integrated Sciences, Inc.	<u>\$ (32,849,215)</u>	<u>\$ (4,462,147)</u>
Comprehensive loss:		
Net loss	(33,045,178)	(4,470,935)
Foreign currency translation loss	(431,605)	(210,233)
Comprehensive loss:	<u>\$ (33,476,783)</u>	<u>\$ (4,681,168)</u>
Weighted average common shares outstanding - basic and diluted	<u>29,122,621</u>	<u>24,774,454</u>
Net loss per common share - basic and diluted	<u>\$ (1.13)</u>	<u>\$ (0.18)</u>

The accompanying footnotes are an integral part of these consolidated financial statements.

NOVO INTEGRATED SCIENCES, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the Years Ended August 31, 2022 and 2021

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Common Stock To Be Issued	Other Comprehensive Income	Accumulated Deficit	Total Novo Stockholders' Equity	Noncontrolling Interest	Total Equity
Balance, August 31, 2020	23,466,236	23,466	44,905,454	-	1,199,696	(16,507,127)	29,621,489	(49,859)	29,571,630
Common stock issued for cash, net of offering costs	2,409,955	2,410	7,325,170	-	-	-	7,327,580	-	7,327,580
Common stock for services	295,700	295	874,878	-	-	-	875,173	-	875,173
Common stock issued for acquisition	189,796	190	430,647	-	-	-	430,837	-	430,837
Common stock issued for intellectual property	240,000	240	875,760	-	-	-	876,000	-	876,000
Common stock to be issued for purchase of Aenzia, Inc.	-	-	-	9,236,607	-	-	9,236,607	-	9,236,607
Exercise of stock options	7,500	8	11,992	-	-	-	12,000	-	12,000
Fair value of stock options	-	-	155,496	-	-	-	155,496	-	155,496
Rounding due to stock split	957	1	(1)	-	-	-	-	-	-
Foreign currency translation loss	-	-	-	-	(208,619)	-	(208,619)	(1,614)	(210,233)
Net loss	-	-	-	-	-	(4,462,147)	(4,462,147)	(8,788)	(4,470,935)
Balance, August 31, 2021	26,610,144	\$ 26,610	\$ 54,579,396	\$ 9,236,607	\$ 991,077	\$ (20,969,274)	\$ 43,864,416	\$ (60,261)	\$ 43,804,155
Common stock for services	750,000	750	1,329,000	-	-	-	1,329,750	-	1,329,750
Common stock issued as collateral and held in escrow	2,000,000	2,000	(2,000)	-	-	-	-	-	-
Common stock for conversion of convertible notes	636,501	637	1,272,357	-	-	-	1,272,994	-	1,272,994
Common stock issued for acquisitions	800,000	800	1,703,200	-	-	-	1,704,000	-	1,704,000
Common stock to be issued for acquisitions	-	-	-	1,433,475	-	-	1,433,475	-	1,433,475
Value of warrants issued with convertible notes	-	-	5,553,290	-	-	-	5,553,290	-	5,553,290
Issuance of common stock to be issued	383,958	384	1,194,891	(1,195,275)	-	-	-	-	-
Fair value of stock options	-	-	426,690	-	-	-	426,690	-	426,690
Foreign currency translation loss	-	-	-	-	(430,241)	-	(430,241)	(1,364)	(431,605)
Net loss	-	-	-	-	-	(32,849,215)	(32,849,215)	(195,963)	(33,045,178)
Balance, August 31, 2022	31,180,603	\$ 31,181	\$ 66,056,824	\$ 9,474,807	\$ 560,836	\$ (53,818,489)	\$ 22,305,159	\$ (257,588)	\$ 22,047,571

The accompanying footnotes are an integral part of these consolidated financial statements.

NOVO INTEGRATED SCIENCES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended August 31, 2022 and 2021

	Years Ended	
	<u>August 31, 2022</u>	<u>August 31, 2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (33,045,178)	\$ (4,470,935)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	3,019,253	1,724,122
Fair value of vested stock options	426,690	155,496
Common stock issued for services	1,329,750	875,173
Operating lease expense	852,580	642,991
Amortization of debt discount	5,973,973	-
Foreign currency transaction losses	641,643	-
Gain on forgiveness of debt	-	(21,900)
Impairment of assets	14,083,531	-
Other receivables write-off	299,672	-
Goodwill impairment	1,357,043	99,351
Changes in operating assets and liabilities:		
Accounts receivable	457,006	1,103,800
Inventory	(527,397)	(147,814)
Prepaid expenses and other current assets	(369,647)	(43,194)
Accounts payable	283,234	(45,228)
Accrued expenses	38,743	(287,034)
Accrued interest	101,353	9,015
Operating lease liability	(806,394)	(618,645)
Net cash used in operating activities	<u>(5,884,145)</u>	<u>(1,024,802)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(190,168)	(255,949)
Cash paid for acquisition	-	(10,000)
Cash acquired with acquisition	57,489	3,738,171
Amounts loaned for other receivables	-	(473,100)
Collection of other receivable	296,138	-
Net cash provided by investing activities	<u>163,459</u>	<u>2,999,122</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Receipts from (repayments to) related parties	16,600	(246,327)
Rewards of notes payable	(10,591,115)	(2,767,519)
Rewards of finance leases	(18,435)	(8,872)
Proceeds from issuance of convertible notes	15,270,000	-
Repayment of convertible notes	(5,104,167)	-
Proceeds from the sale of common stock, net of offering costs	-	7,327,580
Proceeds from exercise of stock options	-	12,000
Net cash (used in) provided by financing activities	<u>(427,117)</u>	<u>4,316,862</u>
Effect of exchange rate changes on cash and cash equivalents	33,328	(65,738)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(6,114,475)	6,225,444
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	8,293,162	2,067,718
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 2,178,687	\$ 8,293,162
CASH PAID FOR:		
Interest	\$ 1,502,819	\$ 144,987
Income taxes	\$ -	\$ -
SUPPLEMENTAL NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Common stock issued for intangible assets	\$ -	\$ 876,000
Common stock issued for convertible debt	\$ 1,272,994	\$ -
Common stock issued for acquisition	\$ 1,704,000	\$ 430,837
Warrants issued with convertible notes	\$ 5,553,290	\$ -

The accompanying footnotes are an integral part of these consolidated financial statements.

NOVO INTEGRATED SCIENCES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended August 31, 2022 and 2021

Note 1 - Organization and Basis of Presentation

Organization and Line of Business

Novo Integrated Sciences, Inc. ("Novo Integrated" or the "Company") was incorporated in Delaware on November 27, 2000, under the name Turbine Truck Engines, Inc. On February 20, 2008, the Company was re-domiciled to the State of Nevada. Effective July 12, 2017, the Company's name was changed to Novo Integrated Sciences, Inc. When used herein, the terms the "Company," "we," "us" and "our" refer to Novo Integrated and its consolidated subsidiaries.

The Company owns Canadian and U.S. subsidiaries which provide, or intend to provide, essential and differentiated solutions to the delivery of multidisciplinary primary care and related wellness products through the integration of medical technology, interconnectivity, advanced therapeutics, diagnostic solutions, unique personalized product offerings, and rehabilitative science.

We believe that "decentralizing" healthcare, through the integration of medical technology and interconnectivity, is an essential solution to the rapidly evolving fundamental transformation of how non-catastrophic healthcare is delivered now and how it will be delivered in the future. Specific to non-critical care, ongoing advancements in both medical technology and inter-connectivity are allowing for a shift of the patient/practitioner relationship to the patient's home and away from on-site visits to primary medical centers with mass-services. This acceleration of "ease-of-access" in the patient/practitioner interaction for non-critical care diagnosis and subsequent treatment minimizes the degradation of non-critical health conditions to critical conditions as well as allowing for more cost-effective and efficient healthcare distribution.

The Company's decentralized healthcare business model is centered on three primary pillars to best support the transformation of non-catastrophic healthcare delivery to patients and consumers:

- First Pillar - Service Networks: Deliver multidisciplinary primary care services through (i) an affiliate network of clinic facilities, (ii) small and micro footprint sized clinic facilities primarily located within the footprint of box-store commercial enterprises, (iii) clinic facilities operated through a franchise relationship with the Company, and (iv) corporate operated clinic facilities.
- Second Pillar - Technology: Develop, deploy, and integrate sophisticated interconnected technology, interfacing the patient to the healthcare practitioner thus expanding the reach and availability of the Company's services, beyond the traditional clinic location, to geographic areas not readily providing advanced, peripheral based healthcare services, including the patient's home.
- Third Pillar - Products: Develop and distribute effective, personalized health and wellness product solutions allowing for the customization of patient preventative care remedies and ultimately a healthier population. The Company's science-first approach to product innovation further emphasizes our mandate to create and provide over-the-counter preventative and maintenance care solutions.

On April 25, 2017 (the "Effective Date"), we entered into a Share Exchange Agreement (the "Share Exchange Agreement") by and between (i) Novo Integrated; (ii) NHL, (iii) ALCM-ASAP Holdings Inc. ("ALCM"); (iv) Michael Gaynor Family Trust (the "MGFT"); (v) 1218814 Ontario Inc. ("1218814") and (vi) Michael Gaynor Physiotherapy Professional Corp. ("MGPP," and together with ALCM, MGFT and 1218814, the "NHL Shareholders"). Pursuant to the terms of the Share Exchange Agreement, Novo Integrated agreed to acquire, from the NHL Shareholders, all of the shares of both common and preferred stock of NHL held by the NHL Shareholders in exchange for the issuance, by Novo Integrated to the NHL Shareholders, of shares of Novo Integrated's common stock such that following the closing of the Share Exchange Agreement, the NHL Shareholders would own 16,779,741 restricted shares of Novo Integrated common stock, representing 85% of the issued and outstanding Novo Integrated common stock, calculated including all granted and issued options or warrants to acquire Novo Integrated common stock as of the Effective Date, but to exclude shares of Novo Integrated common stock that are subject to a then-current Regulation S offering that was undertaken by Novo Integrated (the "Exchange").

On May 9, 2017, the Exchange closed and, as a result, NHL became a wholly owned subsidiary of Novo Integrated. The Exchange was accounted for as a reverse acquisition under the purchase method of accounting since NHL obtained control of Novo Integrated Sciences, Inc. Accordingly, the Exchange was recorded as a recapitalization of NHL, with NHL being treated as the continuing entity. The historical financial statements presented are the financial statements of NHL. The Share Exchange Agreement was treated as a recapitalization and not as a business combination; therefore, no pro forma information is disclosed. At the closing date of the Exchange, the net assets of the legal acquirer, Novo Integrated Sciences, Inc., were \$6,904.

Reverse Stock Split

On February 1, 2021, the Company effected a 1-for-10 reverse stock split of our common stock. As a result of the reverse stock split, every 10 shares of issued and outstanding common stock were exchanged for one share of common stock, with any fractional shares being rounded up to the next higher whole share. Unless otherwise noted, the share and per share information in this report have been retroactively adjusted to give effect to the 1-for-10 reverse stock split.

Impact of COVID-19

While all of the Company's business units are operational at the time of this filing, any future impact of the COVID-19 pandemic on the Company's operations remains unknown and will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration of the COVID-19 outbreak, new information which may emerge concerning the severity of the COVID-19 pandemic, and any additional preventative and protective actions that governments, or the Company, may direct, which may result in an extended period of continued business disruption, reduced patient traffic and reduced operations. For more information regarding the impact of COVID-19 on the Company, see "Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Financial Impact of COVID-19" of this annual report on Form 10-K.

Basis of Presentation

The accompanying consolidated financial statements were prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP").

The Company's Canadian subsidiaries' functional currency is the Canadian Dollar ("CAD") and the Parent company's functional currency is the United States Dollar ("\$" or "USD"); however, the accompanying consolidated financial statements were translated and presented in USD.

Going Concern

The Company evaluated whether there are any conditions and events, considered in the aggregate, that raise substantial doubt about its ability to continue as a going concern within one year after the date the consolidated financial statements are issued. The Company has incurred recurring losses from operations, has negative cash flows from operating activities, and has an accumulated deficit as of August 31, 2022. The Company believes that its cash and other available resources may not be sufficient to meet its operating needs and the payment of obligations related to various business acquisitions as they come due within one year after the date the consolidated financial statements are issued.

To alleviate these conditions, the Company is currently in the process of raising funds through a debt financing and a subsequent public offering in the United States. As the Company's funding activities are ongoing, there can be no assurances that the Company will be able to secure funding on terms that are acceptable to the Company. These conditions, along with the matters noted above, raise substantial doubt about the Company's ability to continue as a going concern within one year after the date the financial statements are issued. While management has developed and is in process to implement plans that management believes could alleviate in the future the substantial doubt that was raised, management concluded at the date of the issuance of the consolidated financial statements that substantial doubt exists as those plans are not completely within the control of management. These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and consolidated balance sheets classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

Foreign Currency Translation

The accounts of the Company's Canadian subsidiaries are maintained in CAD. The accounts of these subsidiaries are translated into USD in accordance with the Financial Accounting Standards Board (the "FASB") Accounting Standards Codification ("ASC") Topic 830, *Foreign Currency Transaction*, with the CAD as the functional currency. According to Topic 830, all assets and liabilities are translated at the exchange rate on the balance sheet date, stockholders' equity is translated at historical rates and statement of operations items are translated at the weighted average exchange rate for the period. The resulting translation adjustments are reported under other comprehensive income in accordance with ASC Topic 220, *Comprehensive Income*. Gains and losses resulting from the translations of foreign currency transactions and balances are reflected in the consolidated statement of operations and comprehensive loss. The following table details the exchange rates used for the respective periods:

	August 31, 2022	August 31, 2021
Period end: CAD to USD exchange rate	\$ 0.7627	\$ 0.7917
Average period: CAD to USD exchange rate	\$ 0.7864	\$ 0.7885

Note 2 - Summary of Significant Accounting Policies

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The Company regularly evaluates estimates and assumptions. The Company bases its estimates and assumptions on current facts, historical experience and various other factors that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources. This applies in particular to useful lives of non-current assets, impairment of non-current assets, allowance for doubtful receivables, allowance for slow moving and obsolete inventory, valuation of share-based compensation and warrants, and valuation allowance for deferred tax assets. The actual results experienced by the Company may differ materially and adversely from the Company's estimates. To the extent there are material differences between the estimates and the actual results, future results of operations will be affected.

Principles of Consolidation

The accompanying unaudited condensed consolidated financial statements include the accounts of the Company and entities it controls including its wholly owned subsidiaries, NHL, Acenzia, Novomerica Health Group, Inc. ("NHG"), Novo Healthnet Rehab Limited, Novo Assessments Inc., PRO-DIP, a 91% controlling interest in Terragenx, a 50.1% controlling interest in 12858461 Canada Corp, an 80% controlling interest in Novo Healthnet Kemptonville Centre, Inc., a Back on Track Physiotherapy and Health Centre clinic operated by NHL, Clinical Consultants International, LLC and a 70% controlling interest in Novo Earth Therapeutics Inc. (currently inactive).

All intercompany transactions have been eliminated.

An entity is controlled when the Company has the ability to direct the relevant activities of the entity, has exposure or rights to variable returns from its involvement with the entity, and is able to use its power over the entity to affect its returns from the entity.

Income or loss and each component of OCI are attributed to the shareholders of the Company and to the noncontrolling interests. Total comprehensive income is attributed to the shareholders of the Company and to the noncontrolling interests even if this results in the non-controlling interests having a deficit balance on consolidation.

Noncontrolling Interest

The Company follows FASB ASC Topic 810, *Consolidation*, which governs the accounting for and reporting of non-controlling interests ("NCIs") in partially owned consolidated subsidiaries and the loss of control of subsidiaries. Certain provisions of this standard indicate, among other things, that NCIs be treated as a separate component of equity, not as a liability, that increases and decreases in the parent's ownership interest that leave control intact be treated as equity transactions rather than as step acquisitions or dilution gains or losses, and that losses of a partially owned consolidated subsidiary be allocated to the NCI even when such allocation might result in a deficit balance.

The net income (loss) attributed to the NCI is separately designated in the accompanying consolidated statements of operations and comprehensive loss.

Cash Equivalents

For the purpose of the consolidated statements of cash flows, cash equivalents include time deposits, certificate of deposits, and all highly liquid debt instruments with original maturities of three months or less.

Restricted Cash

Restricted cash consists of funds that are contractually or legally restricted as to usage or withdrawal and have been presented separately from cash and cash equivalents on the Company's consolidated balance sheets.

Accounts Receivable

Accounts receivable are recorded, net of allowance for doubtful accounts and sales returns. Management reviews the composition of accounts receivable and analyzes historical bad debts, customer concentration, customer credit worthiness, current economic trends and changes in customer payment patterns to determine if the allowance for doubtful accounts is adequate. An estimate for doubtful accounts is made when collection of the full amount is no longer probable. Delinquent account balances are written-off after management has determined that the likelihood of collection is not probable and known bad debts are written off against the allowance for doubtful accounts when identified. As of August 31, 2022 and 2021, the allowance for uncollectible accounts receivable was \$992,329 and \$1,097,628, respectively.

Inventory

Inventories are valued at the lower of cost (determined by the first in, first out method) and net realizable value. Management compares the cost of inventories with the net realizable value and allowance is made for writing down their inventories to net realizable value, if lower. Inventory is segregated into three areas: raw materials, work-in-process and finished goods. The Company periodically assessed its inventory for slow moving and/or obsolete items and any change in the allowance is recorded in cost of revenue in the accompanying consolidated statements of operations and comprehensive loss. If any are identified an appropriate allowance for those items is made and/or the items are deemed to be impaired. As of August 31, 2022 and 2021, the Company's allowance for slow moving or obsolete inventory was \$1,027,670 and \$1,066,721, respectively.

Other Receivables

Other receivables are recorded at cost and presented as current or long-term based on the terms of the agreements. Management reviews the collectability of other receivables and writes off the portion that is deemed to be uncollectible. During the years ended August 31, 2022 and 2021, the Company wrote off \$299,672 (principal amount of \$225,924 and accrued interest of \$73,748) and \$0 of other receivables that were not expected to be collected.

Property and Equipment

Property and equipment are stated at cost less depreciation and impairment. Expenditures for maintenance and repairs are charged to earnings as incurred; additions, renewals and betterments are capitalized. When property and equipment are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts, and any gain or loss is included in operations. Depreciation of property and equipment is provided using the declining balance method for substantially all assets with estimated lives as follows:

Building	30 years
Leasehold improvements	5 years
Clinical equipment	5 years
Computer equipment	3 years
Office equipment	5 years
Furniture and fixtures	5 years

Leases

The Company applies the provisions of ASC Topic 842, *Leases* which requires lessees to recognize lease assets and lease liabilities on the balance sheet. The Company determines whether a contract is or contains a lease at inception of the contract and whether that lease meets the classification criteria of a finance or operating lease. When available, the Company uses the rate implicit in the lease to discount lease payments to present value; however, most of the Company's leases do not provide a readily determinable implicit rate. Therefore, the Company must discount lease payments based on an estimate of its incremental borrowing rate.

Long-Lived Assets

The Company applies the provisions of ASC Topic 360, *Property, Plant, and Equipment*, which addresses financial accounting and reporting for the impairment or disposal of long-lived assets. ASC 360 requires impairment losses to be recorded on long-lived assets, including right-of-use assets, used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amounts. In that event, a loss is recognized based on the amount by which the carrying amount exceeds the fair value of the long-lived assets. Loss on long-lived assets to be disposed of is determined in a similar manner, except that fair values are reduced for the cost of disposal. Based on its review at August 31, 2022 and 2021, the Company believes there was no impairment of its long-lived assets.

Intangible Assets

The Company's intangible assets are being amortized over their estimated useful lives as follows:

Land use rights	50 years (the lease period)
Software license	7 years
Intellectual property	7 years
Customer relationships	5 years
Brand names	7 years

The intangible assets with finite useful lives are reviewed for impairment when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amounts. In that event, a loss is recognized based on the amount by which the carrying amount exceeds the fair value of the long-lived assets. Based on its reviews at August 31, 2022 and 2021, the Company believes there was \$14,083,531 and \$nil of impairment of its intangible assets, respectively, recognized in the consolidated statements of operations and comprehensive loss as impairment of assets. The impairment was determined based on the fair value of the acquired business, which was estimated based on a discounted cash flow valuation model and the projected future cash flows of the underlying business.

Right-of-use Assets

The Company's right-of-use assets consist of leased assets recognized in accordance with ASC 842, *Leases*, which requires lessees to recognize a lease liability and a corresponding lease asset for virtually all lease contracts. Right-of-use assets represent the Company's right to use an underlying asset for the lease term and lease liability represents the Company's obligation to make lease payments arising from the lease, both of which are recognized based on the present value of the future minimum lease payments over the lease term at the commencement date. Leases with a lease term of 12 months or less at inception are not recorded on the consolidated balance sheet and are expensed on a straight-line basis over the lease term in the consolidated statements of operations and comprehensive loss. The Company determines the lease term by agreement with lessor. In cases where the lease does not provide an implicit interest rate, the Company uses the Company's incremental borrowing rate based on the information available at commencement date in determining the present value of future payments.

Goodwill

Goodwill represents the excess of purchase price over the underlying net assets of businesses acquired. Under U.S. GAAP, goodwill is not amortized but is subject to annual impairment tests. The Company recorded goodwill related to its acquisition of APKA Health, Inc. ("APKA") during the fiscal year ended August 31, 2017, Executive Fitness Leaders ("EFL") during the fiscal year ended August 31, 2018, Action Plus Physiotherapy Rockland ("Rockland") during the fiscal year ended August 31, 2019, Acenzia, Inc. ("Acenzia") during the fiscal year ended August 31, 2021, and 12858461 Canada Corp. ("1285") during the fiscal year ended August 31, 2022. As of August 31, 2021, the Company performed the required impairment reviews and determined that an impairment charge of \$99,351 related to the goodwill for Executive Fitness Leaders was necessary. The impairment was determined based on the fair value of the acquired business, which was estimated based on a discounted cash flow valuation model and the projected future cash flows of the underlying business. As of August 31, 2022, the Company performed the required impairment reviews and determined that an impairment charge of \$1,357,043 related to the goodwill for Acenzia was necessary. The Company determined that the carrying value was in excess of the expected fair value of discounted cash flows based on the current market and business environments, resulting in the need for impairment. The impairment was determined based on the discounted cash flow valuation model and the projected future cash flows of the underlying business.

Summary of changes in goodwill by acquired businesses is as follows:

	APKA	EFL	Rockland	Acenzia	1285	Total
Balance, August 31, 2020	\$ 191,850	\$ 222,546	\$ 222,546	\$ -	\$ -	\$ 636,942
Goodwill acquired with purchase of business	-	-	-	9,157,949	-	9,157,949
Impairment of goodwill	-	(99,351)	-	-	-	(99,351)
Foreign currency translation adjustment	6,075	6,644	7,047	(226,458)	-	(206,692)
Balance, August 31, 2021	\$ 197,925	\$ 129,839	\$ 229,593	\$ 8,931,491	\$ -	\$ 9,488,848
Goodwill acquired with purchase of business	-	-	-	-	602	602
Impairment of goodwill	-	-	-	(1,357,043)	-	(1,357,043)
Foreign currency translation adjustment	(7,247)	(4,751)	(8,405)	(286,141)	(19)	(306,563)
Balance, August 31, 2022	<u>\$ 190,678</u>	<u>\$ 125,088</u>	<u>\$ 221,188</u>	<u>\$ 7,288,307</u>	<u>\$ 583</u>	<u>\$ 7,825,844</u>

Fair Value of Financial Instruments

For certain of the Company's financial instruments, including cash and cash equivalents, accounts receivable, current portion of other receivables, accounts payable, accrued expenses, current portion of lease obligation, government loans and notes payable, and due to related parties, the carrying amounts approximate their fair values due to their short-term maturities.

FASB ASC Topic 820, *Fair Value Measurements and Disclosures*, requires disclosure of the fair value of financial instruments held by the Company. FASB ASC Topic 825, *Financial Instruments*, defines fair value, and establishes a three-level valuation hierarchy for disclosures of fair value measurement that enhances disclosure requirements for fair value measures. The carrying amounts reported in the consolidated balance sheets for receivables and current liabilities each qualify as financial instruments and are a reasonable estimate of their fair values because of the short period of time between the origination of such instruments and their expected realization, low risk of counterparty default and their current market rate of interest. The three levels of valuation hierarchy are defined as follows:

- Level 1 inputs to the valuation methodology are quoted prices for identical assets or liabilities in active markets.
- Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets in inactive markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 inputs to the valuation methodology use one or more unobservable inputs which are significant to the fair value measurement.

The Company analyzes all financial instruments with features of both liabilities and equity under FASB ASC Topic 480, *Distinguishing Liabilities from Equity*, and FASB ASC Topic 815, *Derivatives and Hedging*.

For certain financial instruments, the carrying amounts reported in the balance sheets for cash and cash equivalents, restricted cash held in escrow, accounts receivable, current portion of other receivables, and current liabilities, including accounts payable, short-term notes payable, due to related parties and finance lease obligations, each qualify as a financial instrument, and are a reasonable estimate of their fair values because of the short period of time between the origination of such instruments and their expected realization and their current market rate of interest. The carrying value of notes payable approximates their fair values due to current market rate on such debt.

As of August 31, 2022 and 2021, respectively, the Company did not identify any financial assets and liabilities required to be presented on the balance sheet at fair value, except for cash and cash equivalents which are carried at fair value using Level 1 inputs.

Revenue Recognition

The Company's revenue recognition reflects the updated accounting policies as per the requirements of ASU No. 2014-09, *Revenue from Contracts with Customers* ("Topic 606"). As sales are and have been primarily from providing healthcare services the Company has no significant post-delivery obligations.

Revenue from providing healthcare and healthcare related services and product sales are recognized under *Topic 606* in a manner that reasonably reflects the delivery of its products and services to customers in return for expected consideration and includes the following elements:

- executed contracts with the Company's customers that it believes are legally enforceable;
- identification of performance obligations in the respective contract;
- determination of the transaction price for each performance obligation in the respective contract;
- allocation the transaction price to each performance obligation; and
- recognition of revenue only when the Company satisfies each performance obligation.

These five elements, as applied to the Company's revenue category, are summarized below:

- Healthcare and healthcare related services - gross service revenue is recorded in the accounting records at the time the services are provided (point-in-time) on an accrual basis at the provider's established rates. The Company reserves a provision for contractual adjustment and discounts that are deducted from gross service revenue. The Company reports revenues net of any sales, use and value added taxes.
- Product sales - revenue is recorded at the point of time of delivery

In arrangements where another party is involved in providing specified services to a customer, the Company evaluates whether it is the principal or agent. In this evaluation, the Company considers if the Company obtains control of the specified goods or services before they are transferred to the customer, as well as other indicators such as the party primarily responsible for fulfillment, inventory risk, and discretion in establishing price. For product sales where the Company is not the principal, the Company recognizes revenue on a net basis. For the periods presented, revenue for arrangements where the Company is the agent was not material.

Payments received before all of the relevant criteria for revenue recognition are satisfied are recorded as unearned revenue. Unearned revenue is included with accrued expenses in the accompanying consolidated balance sheets.

Sales returns and allowances were insignificant for the years ended August 31, 2022 and 2021. The Company does not provide unconditional right of return, price protection or any other concessions to its customers.

Income Taxes

The Company accounts for income taxes in accordance with ASC Topic 740, *Income Taxes*. ASC 740 requires a company to use the asset and liability method of accounting for income taxes, whereby deferred tax assets are recognized for deductible temporary differences, and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion, or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Under ASC 740, a tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. The Company has no material uncertain tax positions for any of the reporting periods presented.

Stock-Based Compensation

The Company records stock-based compensation in accordance with FASB ASC Topic 718, *Compensation – Stock Compensation*. FASB ASC Topic 718 requires companies to measure compensation cost for stock-based employee compensation at fair value at the grant date and recognize the expense over the requisite service period. The Company recognizes in the consolidated statements of operations and comprehensive loss the grant-date fair value of stock options and other equity-based compensation issued to employees and non-employees.

Basic and Diluted Earnings Per Share

Earnings per share is calculated in accordance with ASC Topic 260, *Earnings Per Share*. The calculations reflect the effects of the 1-for-10 reverse stock split that took place on February 1, 2021. Basic earnings per share ("EPS") is based on the weighted average number of common shares outstanding. Diluted EPS assumes that all dilutive securities are converted. Dilution is computed by applying the treasury stock method. Under this method, options and warrants are assumed to be exercised at the beginning of the period (or at the time of issuance, if later), and as if funds obtained thereby were used to purchase common stock at the average market price during the period. There were 10,609,499 and 4,237,650 options/warrants outstanding at August 31, 2022 and 2021, respectively. In addition, at August 31, 2022, there were outstanding convertible notes that could convert into 5,658,841 shares of common stock and there were 4,149,633 shares of common stock to be issued.

Due to the net loss incurred potentially dilutive instruments would be anti-dilutive. Accordingly, diluted loss per share is the same as basic loss for all periods presented.

Foreign Currency Transactions and Comprehensive Income

U.S. GAAP generally requires recognized revenue, expenses, gains and losses be included in net income. Certain statements, however, require entities to report specific changes in assets and liabilities, such as gain or loss on foreign currency translation, as a separate component of the equity section of the balance sheet. Such items, along with net income, are components of comprehensive income. The functional currency of the Company's Canadian subsidiaries is the CAD. Translation losses of \$431,605 and \$210,233 for the years ended August 31, 2022 and 2021, respectively, are classified as an item of other comprehensive income in the stockholders' equity section of the consolidated balance sheet.

Statement of Cash Flows

Cash flows from the Company's operations are calculated based upon the local currencies using the average translation rates. As a result, amounts related to assets and liabilities reported on the consolidated statements of cash flows will not necessarily agree with changes in the corresponding balances on the consolidated balance sheets.

Segment Reporting

ASC Topic 280, *Segment Reporting*, requires use of the "management approach" model for segment reporting. The management approach model is based on the way a company's management organizes segments within the company for making operating decisions and assessing performance. The Company determined it has two reportable segments. See Note 18.

Reclassifications

Certain prior period amounts were reclassified to conform to the manner of presentation in the current period. These reclassifications had no effect on the net loss or shareholders' equity.

Recent Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. ASU 2016-13 was issued to improve financial reporting by requiring earlier recognition of credit losses on financing receivables and other financial assets in scope. The new standard represents significant changes to accounting for credit losses. Full lifetime expected credit losses will be recognized upon initial recognition of an asset in scope. The current incurred loss impairment model that recognizes losses when a probable threshold is met will be replaced with the expected credit loss impairment method without recognition threshold. The expected credit losses estimate will be based upon historical information, current conditions, and reasonable and supportable forecasts. This ASU as amended by ASU 2019-10, is effective for fiscal years beginning after December 15, 2023. The Company is currently evaluating the effect of this ASU on the Company's consolidated financial statements and related disclosures.

In December 2019, the FASB issued ASU 2019-12, *Simplifying the Accounting for Income Taxes* which amends ASC 740 *Income Taxes* (ASC 740). This update is intended to simplify accounting for income taxes by removing certain exceptions to the general principles in ASC 740 and amending existing guidance to improve consistent application of ASC 740. This update is effective for fiscal years beginning after December 15, 2021. The guidance in this update has various elements, some of which are applied on a prospective basis and others on a retrospective basis with earlier application permitted. The Company is currently evaluating the effect of this ASU on the Company's consolidated financial statements and related disclosures.

In May, the FASB issued ASU 2021-04, *Earnings Per Share (Topic 260), Debt—Modifications and Extinguishments (Subtopic 470-50), Compensation—Stock Compensation (Topic 718), and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Issuer's Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options*. This update provides guidance for a modification or an exchange of a freestanding equity-classified written call option that is not within the scope of another Topic. This update is effective for fiscal years beginning after December 15, 2021. The Company is currently evaluating the effect of this ASU on the Company's consolidated financial statements and related disclosures.

In August 2020, the FASB issued guidance that simplifies the accounting for debt with conversion options, revises the criteria for applying the derivative scope exception for contracts in an entity's own equity, and improves the consistency for the calculation of earnings per share. The guidance is effective for annual reporting periods and interim periods within those annual reporting periods beginning after December 15, 2021.

In March 2020, the FASB issued guidance providing optional expedients and exceptions to account for the effects of reference rate reform to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued. The optional guidance, which became effective on March 12, 2020 and can be applied through December 21, 2022, has not impacted our consolidated financial statements. The Company has various contracts that reference LIBOR and is assessing how this standard may be applied to specific contract modifications through December 31, 2022.

Management does not believe that any recently issued, but not yet effective, accounting standards could have a material effect on the accompanying financial statements. As new accounting pronouncements are issued, we will adopt those that are applicable under the circumstances.

Note 3 - Related Party Transactions

Due to related parties

Amounts loaned to the Company by stockholders and officers of the Company are payable upon demand and unsecured. At August 31, 2022 and 2021, the amount due to related parties was \$478,897 and \$478,920, respectively. At August 31, 2022, \$394,405 was non-interest bearing, \$21,949 bears interest at 6% per annum, and \$62,543 bears interest at 13.75% per annum. At August 31, 2021, \$407,052 was non-interest bearing, \$22,783 bears interest at 6% per annum, and \$49,085 bears interest at 13.75% per annum.

On July 21, 2020, a related party converted \$226,363 of outstanding principal and accrued interest into 15,091 shares of the Company's common stock. The per share price used for the conversion of this debt was \$15.00.

On July 21, 2020, the Company made a partial repayment of a debenture due to a related party of \$267,768. The remaining principal balance of debentures due to related parties at August 31, 2022 and 2021 was \$946,250 and \$982,205, respectively.

Note 4 - Inventory

Inventory at August 31, 2022 and 2021 consisted of the following:

	2022	2021
Raw materials	\$ 1,259,954	\$ 1,017,566
Work in process	139,333	144,628
Finished Goods	<u>507,416</u>	<u>243,912</u>
	1,906,703	1,406,106
Allowance for slow moving and obsolete inventory	(1,027,670)	(1,066,721)
Inventory, net	<u>\$ 879,033</u>	<u>\$ 339,385</u>

Note 5 - Accounts Receivables, net

Accounts receivables, net at August 31, 2022 and 2021 consisted of the following:

	2022	2021
Trade receivables	\$ 1,829,475	\$ 2,411,499
Amounts earned but not billed	180,259	154,558
	<u>2,009,734</u>	<u>2,566,057</u>
Allowance for doubtful accounts	(992,329)	(1,097,628)
Accounts receivable, net	<u>\$ 1,017,405</u>	<u>\$ 1,468,429</u>

Note 6 - Other Receivables

Other receivables at August 31, 2022 and 2021 consisted of the following:

	2022	2021
Notes receivable dated April 1, 2015 and amended on May 23, 2017; accrued interest at 8% per annum; secured by certain assets; due March 1, 2019 (repaid during fiscal year 2022).	\$ -	\$ 296,888
Advance to corporation; accrues interest at 12% per annum; unsecured; due January 31, 2023, as amended.	76,272	79,170
Advance to corporation; accrues interest at 10% per annum after the first 60 days; unsecured; due May 1, 2023, as amended. As at August 31, 2022, the outstanding balance of \$299,672 (principal and accrued interest) was considered uncollectible and written off.	-	225,924
Advance to corporation; accrues interest at 12% per annum; secured by property and other assets of debtor; due March 1, 2023, as amended.	551,536	509,063
Advance to corporation; accrues interest at 10% per annum; secured by assets of debtor; due March 1, 2023, as amended.	457,527	395,850
Total other receivables	1,085,335	1,506,895
Current portion	(1,085,335)	(814,157)
Long-term portion	<u>\$ -</u>	<u>\$ 692,738</u>

Note 7 - Property and Equipment

Property and equipment at August 31, 2022 and 2021 consisted of the following:

	2022	2021
Land	\$ 457,631	\$ 475,020
Building	3,432,232	3,562,650
Leasehold improvements	868,375	691,318
Clinical equipment	1,927,639	1,875,537
Computer equipment	34,579	24,679
Office equipment	45,406	46,510
Furniture and fixtures	39,518	41,019
	<u>6,805,380</u>	<u>6,716,733</u>
Accumulated depreciation	(1,004,732)	(646,442)
Total	<u>\$ 5,800,648</u>	<u>\$ 6,070,291</u>

Depreciation expense for the years ended August 31, 2022 and 2021 was \$323,040 and \$123,461, respectively.

Certain property and equipment have been used to secure notes payable (See Note 10).

Note 8 - Intangible Assets

Intangible assets at August 31, 2022 and 2021 consisted of the following:

	2022	2021
Land use rights	\$ 11,573,321	\$ 21,600,000
Software license	-	1,144,798
Intellectual property	8,059,386	9,388,065
Customer relationships	2,320,154	787,304
Brand names	1,990,314	2,065,941
	<u>23,943,175</u>	<u>34,986,108</u>
Accumulated amortization	(5,102,556)	(2,956,609)
Total	<u>\$ 18,840,619</u>	<u>\$ 32,029,499</u>

Amortization expense for the years ended August 31, 2022 and 2021 was \$2,696,213 and \$1,600,661, respectively.

Expected amortization expense of intangible assets over the next 5 years and thereafter is as follows:

Years Ending August 31,	\$
2023	2,131,169
2024	2,131,169
2025	2,131,169
2026	2,131,169
2027	1,211,011
Thereafter	9,104,932
Total	<u>\$ 18,840,619</u>

On January 7, 2019, 2478659 Ontario Ltd. ("247") and Kainai Cooperative ("Kainai") entered into a Joint Venture Agreement (the "Joint Venture Agreement") for the purpose of developing, managing and arranging for financing of greenhouse and farming projects involving hemp and cannabis cash crops on Kainai related lands, and developing additional infrastructure projects creating jobs and food supply to local communities. On January 8, 2019, we and 247 entered into an Agreement of Transfer and Assignment, pursuant to which 247 agreed to sell, assign and transfer to the Company all rights, contracts, contacts and any and all other assets related in any way to the Joint Venture Agreement. Pursuant to the terms of the Joint Venture Agreement, as assigned to us, the parties will work in a joint venture relationship ("JV") with the Company providing the finance, development and operation of the project, including sales, and Kainai providing the land and approvals for the development of the projects. Pursuant to the terms of the Joint Venture Agreement, (i) the Company has an 80% controlling interest and Kainai has a 20% interest in the JV; and (ii) the Company has sole discretion to identify the name and entity under which the JV will operate. The legal entity in which the JV will operate has not yet been identified or formed. The JV operations will primarily involve the production - including processing, packaging and sales of natural supplements derived from hemp derived cannabis oils. The joint venture will distribute to the Company and Kainai all net proceeds after debt and principal servicing and repayment allocation, as well as operating capital allotment, on a ratio equal to 80% to the Company and 20% to Kainai. The Joint Venture Agreement has an initial term of 50 years and Kainai may renew the Joint Venture Agreement within five years of the expiry of the initial term upon mutual agreement. On January 30, 2019, pursuant to the terms of the Joint Venture Agreement, the Company issued 1,200,000 restricted common shares to 247 with a value of \$21,600,000. As at August 31, 2022, the land use rights was determined to be impaired by \$10,026,679.

On December 17, 2019, the Company entered into that certain Intellectual Property Asset Purchase Agreement (the "APA") by and between the Company and 2731861 Ontario Corp. (the "Seller"), pursuant to which the Company agreed to purchase, and Seller agreed to sell (the "Acquisition"), proprietary designs for an innovative cannabis dosing device, in addition to designs, plans, procedures, and all other material pertaining to the application, construction, operation, and marketing of a cannabis business under the regulations of Health Canada (the "Intellectual Property"). Pursuant to the terms of the APA, the purchase price of the Intellectual Property is 800,000 shares of restricted common stock of the Company valued at \$5,248,000. As at August 31, 2022, the acquired intellectual property was determined to be impaired by \$1,858,179.

On February 26, 2019, the Company and NHL entered into a Software License Agreement (the "Cloud DX License") with Cloud DX Inc. ("Cloud DX"), pursuant to which Cloud DX agreed to sell, and NHL agreed to purchase, a fully paid up, perpetual license, with 5-year conditional exclusivity, for the Cloud DX Bundled Pulsewave PAD-1A USB Blood Pressure Device, up-to-date product releases and Licensed Software Products (the "Licensed Software"). Pursuant to the terms of the Cloud DX License, Cloud DX also agreed to sell, and NHL agreed to purchase, 4,000 fully functional Pulsewave PAD 1A USB blood pressure monitor devices bundled with the perpetual license discussed above (the "Bundled Devices").

The Cloud DX License granted to NHL and its majority-owned subsidiaries, holding companies, divisions and affiliates, other than physiotherapy clinics owned and operated by Closing The Gap Healthcare Inc., the right to use and sub-license the Licensed Software and re-sell the Bundled Devices pursuant to the terms of the Cloud DX License in the physical therapy clinic marketplace in North America in exchange for the purchase price as set forth below:

- Upon the closing, the Company issued 45,835 restricted shares of its common stock having a value (as calculated as set forth in the Cloud DX License) of CAD\$1,000,000 (approximately \$758,567 as of February 26, 2019), and
- Cloud DX agreed to invoice CAD\$250,000 (approximately \$189,642 as of February 26, 2019) to NHL based on the following deliverables, and paid on the following schedule:

Cloud DX deliverable	Novo payment (terms: Net 15)
Heart Friendly Program launches in Clinic #1	CAD\$50,000 (approximately \$37,929 as of February 26, 2019)
Novo-branded Android app delivered as APK file	CAD\$35,000 (approximately \$26,550 as of February 26, 2019)
Novo-branded Clinical portal website delivered	CAD\$35,000 (approximately \$26,550 as of February 26, 2019)
Pulsewave PAD-1A devices - 1 st delivery	CAD\$20,000 (approximately \$15,171 as of February 26, 2019)
Marketing services / materials delivered	CAD\$25,000 (approximately \$18,964 as of February 26, 2019)
Cloud DX hires dedicated Novo support FTE	CAD\$85,000 (approximately \$64,478 as of February 26, 2019)

On March 9, 2020, the Company and NHL entered into that certain First Amendment to Cloud DX Perpetual Software License Agreement (the "Cloud DX Amendment") with Cloud DX, effective March 6, 2020, pursuant to which the parties thereto agreed that the CAD\$250,000 (approximately \$186,231 as of March 6, 2020) that was to be paid by NHL based on the above deliverables would be paid as a one-time payment of 46,558 restricted shares of Company common stock. In addition, pursuant to the terms of the Cloud DX Amendment, the parties agreed to settle a \$200,000 fee owed by NHL to Cloud DX through payment of 50,000 restricted shares of Company common stock.

Except as set forth in the Cloud DX Amendment, the remaining terms and conditions of the Cloud DX License remain in full force and effect. As at August 31, 2022, the remaining value of the software license was determined to be fully impaired.

In connection with the acquisition of PRO-DIP (see Note 16) the Company acquired intellectual property valued at \$455,752. As at August 31, 2022, the acquired intellectual property was determined to be impaired by \$52,752.

In connection with the acquisition of Acenzia (See Note 16) the Company acquired the following intangible assets: intellectual property valued at \$2,875,000; customer relationships valued at \$806,000 and brand names valued at \$2,115,000.

In connection with the acquisition of Terragenx (see Note 16) the Company acquired intellectual property valued at \$1,179,361. As at August 31, 2022, the acquired intellectual property was determined to be fully impaired.

In connection with the acquisition of 12858461 Canada Corp. (see Note 16) the Company acquired customer relationships valued at \$31,101.

In connection with the acquisition of Poling Taddeo Hovius Physiotherapy Professional Corp. (see Note 16) the Company acquired customer relationships valued at \$151,686.

In connection with the acquisition of Clinical Consultants International LLC (see Note 16) the Company acquired customer relationships valued at \$1,701,814. As at August 31, 2022, the acquired customer relationships were determined to be impaired by \$317,314.

Note 9 - Accrued Expenses

Accrued expenses at August 31, 2022 and 2021 consisted of the following:

	2022	2021
Accrued liabilities	\$ 884,024	\$ 811,660
Accrued payroll	195,214	279,018
Unearned revenue	36,887	38,631
	<u>\$ 1,116,125</u>	<u>\$ 1,129,309</u>

Note 10 - Government Loans and Note Payable and Government Subsidy

Governmental loans and note payable at August 31, 2022 and 2021 consisted of the following:

	2022	2021
Government loans issued under the Government of Canada's Canada Emergency Business Account ("CEBA") program (A).	91,526	63,336
Note payable to the Small Business Administration ("SBA"). The note bears interest at 3.75% per annum, requires monthly payments of \$190 after 12 months from funding and is due 30 years from the date of issuance and is secured by certain equipment of PRO-DIP.	40,320	40,320
Note payable dated December 3, 2019; accrues interest at 3% per annum; secured by land, building and personal property; due June 30, 2022. (On June 30, 2022, paid in full)	-	5,069,858
Note payable dated December 3, 2018; accrues interest at 4.53% per annum; unsecured; annual payments of approximately \$4,000; due December 2, 2028.	29,614	30,739
Note payable dated June 24, 2021; accrues interest at % per annum; secured by real property of Acenzia; lender at its sole discretion may require monthly principal payments of \$950,000 after December 24, 2021; any unpaid principal and interest due on June 24, 2022. (On December 14, 2021, the note was paid in full.)	-	4,415,000
Total government loans and notes payable	161,460	9,619,253
Less current portion	-	(4,485,649)
Long-term portion	<u>\$ 161,460</u>	<u>\$ 5,133,604</u>

(A) The Government of Canada launched the Canada Emergency Business Account ("CEBA") loan to ensure that small businesses have access to the capital that they need during the current challenges faced due to the COVID-19 virus. The Company obtained a CAD\$80,000 loan (US\$61,017 at August 31, 2022), which is unsecured, non-interest bearing and due on or before December 31, 2022. If the loan amount is paid on or before December 31, 2022, 25% of the loan will be forgiven ("Early Payment Credit"). In the event that the Company does not repay 75% of such term debt on or before December 31, 2022, the Early Payment Credit will not apply and the lender will automatically extend the term of the loan by three years until December 31, 2025 and will accrue on the outstanding amount of the CEBA Loan at a fixed rate of 5% per year, calculated daily and compounded monthly. In addition, with acquisition of Terragenx, the Company acquired a CEBA loan in the amount of CAD\$60,000 net of CAD\$20,000 repayment (US\$30,509 at August 31, 2022) under the same terms.

Government Subsidy

In 2020, the Government of Canada announced the Canada Emergency Wage Subsidy ("CEWS") for Canadian employers whose businesses were affected by the COVID-19 pandemic. The CEWS provides a subsidy of up to 75% of eligible employees' employment insurable remuneration, subject to certain criteria. Accordingly, the Company applied for the CEWS to the extent it met the requirements to receive the subsidy and during the year ended August 31, 2022, recorded a total of approximately \$nil (2021 - \$731,000) in government subsidies as a reduction to the associated wage costs recorded in cost of revenues and general and administrative expenses in the consolidated statement of operations and comprehensive loss.

Future scheduled maturities of outstanding government loans and notes payable are as follows:

Years Ending August 31,	\$
2023	6,362
2024	97,889
2025	6,362
2026	6,362
2027	6,362
Thereafter	38,122
Total	\$ 161,460

Note 11 - Convertible Notes Payable

Novo Integrated

On December 14, 2021, Novo Integrated issued two convertible notes payable for a total of \$16,666,666 (the "\$16.66m+ convertible notes") with each note having a face amount of \$8,333,333. The \$16.66m+ convertible notes accrue interest at 5% per annum and are due on June 14, 2023. The \$16.66m+ convertible notes are secured by all assets of the Company. The \$16.66m+ convertible notes are convertible at the option of the note holders to convert into shares of the Company's common stock at \$2.00 per share.

In connection with the \$16.66m+ convertible notes, the Company issued the note holders warrants to purchase a total of 5,833,334 shares of the Company's common stock at a price of \$2.00 per share. The warrants expire on December 14, 2025. The Company first determined the value of the \$16.66m+ convertible notes and the fair value of the detachable warrants issued in connection with this transaction. The estimated value of the warrants of \$7,680,156 was determined using the Black-Scholes option pricing model with the following assumptions:

- Expected life of 4.0 years;
- Volatility of 275%;
- Dividend yield of 0%; and
- Risk free interest rate of 1.23%

The face amount of the \$16.66m+ convertible notes of \$16,666,666 was proportionately allocated to the \$16.66m+ convertible notes and the warrants in the amount of \$11,409,200 and \$5,257,466, respectively. The amount allocated to the warrants of \$5,257,466 was recorded as a discount to the convertible note and as additional paid in capital. The \$16.66m+ convertible notes contained an original issue discount totaling \$1,666,666 and the Company also incurred \$1,140,000 in loan fees in connection with the \$16.66m+ convertible notes. The combined total discount is \$8,064,132 and will be amortized over the life of the \$16.66m+ convertible notes. During the year ended August 31, 2022, the Company amortized \$5,213,084 of the debt discount and as August 31, 2022, the unamortized debt discount was \$2,851,048.

During the year ended August 31, 2022, the Company made cash payments in the aggregate amount of \$4,307,555 for the monthly Amortization Payment, \$4,166,667 in principal and \$140,888 in interest, pursuant to the terms and conditions of the \$16.66m+ convertible notes.

During the year ended August 31, 2022, \$1,269,444 in principal and \$3,547 in interest were converted into 636,501 shares of common stock issued to the \$16.66m+ convertible note holders.

In connection with the \$16.66m+ convertible notes, the Company is subject to certain financial covenants which the Company was not in compliance with as of August 31, 2022. This provided the lender the right to increase the interest rate to 15% per annum and rights to first ranking over all other notes held by the Company. However, subsequent to the year end, (see Note 19) the \$16.66m+ convertible notes were settled without any additional charges or penalty due to non-compliance with the \$16.66m+ convertible notes financial covenants.

Terragenx

On November 17, 2021, Terragenx, a 91% owned subsidiary of the Company, issued two convertible notes payable for a total of \$1,875,000 (the “\$1.875m convertible notes”) with each note having a face amount of \$937,500. The \$1.875m convertible notes accrue interest at 1% per annum and were due on May 17, 2022 and extended to November 29, 2022. The \$1.875m convertible notes are secured by all assets of the Company. The \$1.875m convertible notes are convertible at the option of the note holders to convert into shares of the Company’s common stock at \$3.35 per share.

In connection with the \$1.875m convertible notes, the Company issued the note holders warrants to purchase a total of 223,880 shares of the Company’s common stock at a price of \$3.35 per share. The warrants expire on November 17, 2024. The Company first determined the value of the \$1.875m convertible notes and the fair value of the detachable warrants issued in connection with this transaction. The estimated value of the warrants of \$351,240 was determined using the Black-Scholes option pricing model with the following assumptions:

- Expected Life of 3.0 years;
- Volatility of 300%;
- Dividend yield of 0%; and
- Risk free interest rate of 0.85%

The face amount of the \$1.875m convertible notes of \$1,875,000 was proportionately allocated to the \$1.875m convertible notes and the warrants in the amount of \$1,579,176 and \$295,824, respectively. The amount allocated to the warrants of \$295,824 was recorded as a discount to the \$1.875m convertible notes and as additional paid in capital. The \$1.875m convertible notes contained an original issue discount totaling \$375,000 and the Company also incurred \$90,000 in loan fees in connection with these \$1.875m convertible notes. The combined total discount was \$760,824 and amortized over the life of the \$1.875m convertible notes. During the year ended August 31, 2022, the Company amortized \$760,824 of the debt discount and as of August 31, 2022, the unamortized debt discount was \$0.

On June 1, 2022, the Company paid the balance owed on one of two Terragenx \$1.875 million convertible notes for an aggregate payment of \$948,874, including all principal and interest owed.

On June 1, 2022, the Company made an interest payment to one of two Terragenx \$1.875 million convertible notes for a payment of \$192,188. On June 1, 2022, the Company and the note holder agreed to extend the maturity date to November 29, 2022 with a principal amount face value of \$937,500 and interest rate that shall accrue at a rate equal to one percent per annum.

Note 12 - Debentures, related parties

On September 30, 2013, the Company issued five debentures totaling CAD\$6,402,512 (approximately \$6,225,163 on September 30, 2013) in connection with the acquisition of certain business assets. The holders of the debentures are current stockholders, officers and/or affiliates of the Company. The debentures are secured by all the assets of the Company, accrue interest at 8% per annum and were originally due on September 30, 2016. On December 2, 2017, the debenture holders agreed to extend the due date to September 30, 2019. On September 27, 2019, the debenture holders agreed to extend the due date to September 30, 2021. On November 2, 2021, the debenture holders agreed to extend the due date to December 1, 2023.

On January 31, 2018, the debenture holders converted 75% of the debenture value of \$3,894,809 plus accrued interest of \$414,965 into 1,047,588 shares of the Company’s common stock. The per share price used for the conversion of each debenture was \$4.11 which was determined as the average price of the five (5) trading days immediately preceding the date of conversion with a 10% premium added to the calculated per share price.

On July 21, 2020, the Company made a partial repayment of a debenture due to a related party of \$267,768.

At August 31, 2022 and 2021, the amount of debentures outstanding was \$946,250 and \$982,205, respectively.

Note 13 - Leases

Operating leases

The Company determines whether a contract is or contains a lease at inception of the contract and whether that lease meets the classification criteria of a finance or operating lease. When available, the Company uses the rate implicit in the lease to discount lease payments to present value; however, most of the Company's leases do not provide a readily determinable implicit rate. Therefore, the Company discounts lease payments based on an estimate of its incremental borrowing rate.

The Company leases its corporate office space and certain facilities under long-term operating leases expiring through fiscal year 2028.

The table below presents the lease related assets and liabilities recorded on the Company's consolidated balance sheets as of August 31, 2022 and 2021:

	Classification on Balance Sheet	2022	2021
Assets			
Operating lease assets	Operating lease right of use assets	\$ 2,673,934	\$ 2,543,396
Total lease assets		<u>\$ 2,673,934</u>	<u>\$ 2,543,396</u>
Liabilities			
Current liabilities	Current operating lease liability	\$ 582,088	\$ 530,797
Noncurrent liabilities	Long-term operating lease liability	2,185,329	2,057,805
Total lease liability		<u>\$ 2,767,417</u>	<u>\$ 2,588,602</u>

Lease obligations at August 31, 2022 consisted of the following:

Years Ending August 31,	\$	
2023	795,323	
2024	600,123	
2025	528,191	
2026	527,412	
2027	489,184	
Thereafter	572,768	
Total payments	3,512,999	
Amount representing interest	(745,582)	
Lease obligation, net	2,767,417	
Less lease obligation, current portion	(582,088)	
Lease obligation, long-term portion	\$ 2,185,329	

During the year ended August 31, 2022, the Company entered into new lease obligations of \$571,621.

The lease expense for the years ended August 31, 2022 and 2021 was \$852,580 and \$858,847, respectively. The cash paid under operating leases during the years ended August 31, 2022 and 2021 was \$806,394 and \$834,502, respectively.

At August 31, 2022, the weighted average remaining lease terms were 3.46 years and the weighted average discount rate was 8%.

Finance leases

The Company leases certain equipment under lease contracts that are accounted for as finance leases. If the contracts meet the criteria for a finance lease, the related equipment underlying the lease contract is capitalized and amortized over its estimated useful life. If the cost of the equipment is not available, the Company calculates the cost by taking the present value of the lease payments using an implicit borrowing rate of 5%.

The net book value of equipment under finance leases included in property and equipment on the accompanying balance sheet at August 31, 2022 is as follows:

Cost	\$ 209,457
Accumulated amortization	(192,347)
<u>Net book value</u>	<u>\$ 17,110</u>

Future minimum finance lease payments are as follows:

Years Ending August 31,	
2023	\$ 16,826
2024	4,681
<u>Total payments</u>	<u>21,507</u>
Amount representing interest	(541)
Lease obligation, net	20,966
Less lease obligation, current portion	(8,890)
<u>Lease obligation, long-term portion</u>	<u>\$ 12,076</u>

Note 14 - Stockholders' Equity

Convertible preferred stock

The Company has authorized 1,000,000 shares of \$0.001 par value convertible preferred stock. As of August 31, 2022 and 2021 there were 0 and 0 convertible shares issued and outstanding, respectively.

Common Stock

The Company has authorized 499,000,000 shares of \$0.001 par value common stock. On February 1, 2021, the Company effected a 1-for-10 reverse stock split of our common stock. As a result of the reverse stock split, every 10 shares of issued and outstanding common stock were exchanged for one share of common stock, with any fractional shares being rounded up to the next higher whole share. As of August 31, 2022 and 2021 there were 31,180,603 and 26,610,144 common shares issued and outstanding, respectively.

During the fiscal year ended August 31, 2022, the Company issued:

- 35,000 restricted shares of common stock as consideration for a Consulting and Services Agreement valued at \$64,750. The fair value was determined based on the market price of the Company's common stock on the date of grant. The shares were issued on September 16, 2021.
- 2,000,000 restricted shares of common stock as collateral to be held in escrow pursuant to the terms and conditions provided for in a certain Securities Purchase Agreement, Pledge and Security Agreement, Secured Convertible Promissory Note, and Escrow Agreement, all dated November 17, 2021 to which the Company is a guarantor for that certain senior secured convertible promissory note in the principal amount of up to \$1,875,000. The shares were issued on November 23, 2021. The Company values these shares at \$0 since they are being held in escrow and will only be released to the convertible note holders upon certain conditions, including default on the notes.
- 50,000 restricted shares of common stock as consideration for a Consulting Agreement valued at \$65,500. The fair value was determined based on the market price of the Company's common stock on the date of grant. The shares were issued on December 20, 2021.

- 25,000 restricted shares of common stock as consideration for an Independent Contractor Agreement valued at \$30,000. The fair value was determined based on the market price of the Company's common stock on the date of grant. The shares were issued on January 24, 2022.
- 65,000 restricted shares of common stock as consideration for an Independent Contractor Agreement valued at \$78,000. The fair value was determined based on the market price of the Company's common stock on the date of grant. The shares were issued on January 24, 2022.
- 50,000 restricted shares of common stock as consideration for a Consulting Agreement valued at \$60,000. The fair value was determined based on the market price of the Company's common stock on the date of grant. The shares were issued on January 24, 2022.
- 50,000 restricted shares of common stock as consideration for a Consulting Agreement valued at \$64,500. The fair value was determined based on the market price of the Company's common stock on the date of grant. The shares were issued on February 24, 2022.
- 50,000 restricted shares of common stock as consideration for an Independent Contractor Agreement valued at \$138,000. The fair value was determined based on the market price of the Company's common stock on the date of grant. The shares were issued on March 18, 2022.
- 25,000 restricted shares of common stock as consideration for an Independent Contractor Agreement valued at \$69,000. The fair value was determined based on the market price of the Company's common stock on the date of grant. The shares were issued on March 18, 2022.
- 800,000 restricted shares of common stock as consideration for a Membership Interest Purchase Agreement valued at \$1,704,000. The fair value was determined based on the market price of the Company's common stock on the date of grant. The shares were issued on April 7, 2022.
- 50,000 restricted shares of common stock as consideration for a Consulting Agreement valued at \$107,000. The fair value was determined based on the market price of the Company's common stock on the date of grant. The shares were issued on May 2, 2022.
- 225,000 restricted shares of common stock issued for NHL Exchangeable Shares under the terms and conditions of a Share Exchange Agreement which closed on June 24, 2021. The fair value was determined based on the market price of the Company's common stock on the date of closing. The shares were issued on May 11, 2022.
- 623,929 shares of common stock as consideration for payment of an aggregate principal amount of \$1,244,444 and an aggregate accrued interest amount of \$3,405 on the \$16.66m+ convertible notes. The shares were issued on various dates during the year ended August 31, 2022.
- 300,000 shares of common stock pursuant to the Novo Integrated Sciences, Inc. 2021 Equity Incentive Plan registered on a Form S-8 filed by the Company with the Securities and Exchange Commission on February 19, 2021 (Commission File No. 333-253289 (the "2021 Plan"). The fair value was determined based on the market price of the Company's common stock on the date of grant. The shares were issued on June 29, 2022.
- 50,000 restricted shares of common stock as consideration for a Consulting Agreement. The fair value was determined based on the market price of the Company's common stock on the date of issuance. The shares were issued on July 5, 2022.
- 12,572 shares of common stock as consideration for payment of an aggregate principal amount of \$25,000 and an aggregate accrued interest amount of \$143 on the \$16.66m+ convertible notes. The shares were issued on July 12, 2022 pursuant to an effective shelf registration statement on Form S-3 (File No. 333-254278), which was declared effective by the SEC on March 22, 2021.
- 158,958 restricted shares of common stock issued for NHL Exchangeable Shares under the terms and conditions of a Share Exchange Agreement which closed on June 24, 2021. The fair value was determined based on the market price of the Company's common stock on the date of closing. The shares were issued on July 20, 2022.

During the fiscal year ended August 31, 2021, the Company issued:

- 21,905 restricted shares of common stock to a non-U.S. person for cash proceeds of \$92,000.
- 15,000 restricted shares of common stock as consideration for a Statement of Work Agreement with an independent contractor valued at \$55,500. The fair value was determined based on the market price of the Company's common stock on the date of grant.
- 50,000 restricted shares of common stock as consideration for a Consulting and Services Agreement valued at \$192,500. The fair value was determined based on the market price of the Company's common stock on the date of grant.
- 240,000 restricted shares of common stock as consideration for an Asset Purchase Agreement with a value of \$876,000 based on the market price of the Company's common stock of \$3.65 per share on the date of grant.
- 957 shares of common stock to round fractional shares that would have been issued pursuant to the reverse stock split to the next highest whole share as a result of the Company's 1-for-10 reverse stock split of our common stock, effective February 1, 2021. As a result of the reverse stock split, every 10 shares of issued and outstanding common stock were exchanged for one share of common stock, with any fractional shares being rounded up to the next whole share amount.
- 7,500 shares of common stock issued upon the exercise of stock options. The Company received the exercise price of \$12,000 in cash.
- 100,000 restricted shares of common stock under the terms and conditions of a certain Letter of Engagement, dated July 31, 2020, as a result of the Company's successful uplist to the Nasdaq Capital Markets. The fair value of the shares were \$375,000 based on the market value of the Company's stock on the date of grant.
- 9,913 shares of common stock under the Company's 2021 Equity Incentive Plan and registered pursuant to the Company's registration statement on Form S-8 (File No. 333-253289) for payment of legal services valued at \$37,172.
- 2,388,050 shares of common stock, to accredited investors, under the terms and conditions of a Securities Purchase Agreement, dated April 9, 2021, in a registered direct offering for an agreed upon purchase price of \$3.35 per share. The Company incurred offering cost of \$764,388 associated with this offering. The shares were offered pursuant to an effective shelf registration statement on Form S-3 (File No. 333-254278), which was declared effective on March 22, 2021. The shares were issued on April 13, 2021.
- 189,796 restricted shares of common stock as consideration for a Share Exchange Agreement with the securities exchange valued at \$430,837, or \$2.27 per share. The fair value was determined based on the market price of the Company's common stock on the date of grant. The shares were issued on May 24, 2021.
- 120,787 shares of common stock under the Company's 2021 Equity Incentive Plan and registered pursuant to the Company's registration statement on Form S-8 (File No. 333-253289) to three members of the Company's Medical Advisory Board for payment of services valued at \$215,000.

Common Stock to be Issued

As of August 31, 2022, in connection with the acquisition of Aenzia, Terragenx, 12858461 Ontario Inc, and Poling Taddeo Hovius Physiotherapy Professional Corp (See Note 16), the Company has allotted and is obligated to issue 4,149,633 shares of the Company's common stock.

Stock Options and Warrants

On September 8, 2015, the Company's Board of Directors and stockholders holding a majority of the Company's outstanding common stock approved the Novo Integrated Sciences, Inc. 2015 Incentive Compensation Plan (the "2015 Plan"), which authorizes the issuance of up to 500,000 shares of common stock to employees, officers, directors or independent consultants of the Company, provided that no person can be granted shares under the 2015 Plan for services related to raising capital or promotional activities. During fiscal years 2022 and 2021, the Company did not grant any awards under the 2015 Plan. The Company does not intend to issue any additional grants under the 2015 Plan.

On January 16, 2018, the Company's Board of Directors and stockholders holding a majority of the Company's outstanding common stock approved the Novo Integrated Sciences, Inc. 2018 Incentive Compensation Plan (the "2018 Plan"). Under the 2018 Plan, 1,000,000 shares of common stock are authorized for the grant of stock options and the issuance of restricted stock, stock appreciation rights, phantom stock and performance awards to officers, directors, employees and eligible consultants to the Company or its subsidiaries. As of August 31, 2022, the 2018 Plan had 864,900 shares available for award; however, the Company does not intend to issue any additional grants under the 2018 Plan.

On February 9, 2021, the Company's Board of Directors and stockholders holding a majority of the Company's outstanding common stock approved the Novo Integrated Sciences, Inc. 2021 Equity Incentive Plan (the "2021 Plan"). Under the 2021 Plan, a total of 4,500,000 shares of common stock are authorized for issuance pursuant to the grant of stock options, stock appreciation rights, restricted stock, restricted stock units, performance units, performance shares or other cash- or stock-based awards to officers, directors, employees and eligible consultants to the Company or its subsidiaries. Subject to adjustment as provided in the 2021 Plan, the maximum aggregate number of shares that may be issued under the 2021 Plan will be cumulatively increased on January 1, 2022 and on each subsequent January 1 through and including January 1, 2023, by a number of shares equal to the smaller of (i) 3% of the number of shares of common stock issued and outstanding on the immediately preceding December 31, or (ii) an amount determined by our Board of Directors. The Company chose not to cumulatively increase the shares authorized for issuance under the 2021 Plan effective January 1, 2022. As of August 31, 2022, the 2021 Plan has 3,754,665 shares available for award.

The following is a summary of stock options activity:

Options	Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
Outstanding, August 31, 2021	1,849,600	2.29	3.14	\$ 218,240
Granted	369,465	1.46		
Forfeited	(54,830)			
Exercised	-			
Outstanding, August 31, 2022	<u>2,164,235</u>	2.15	2.53	\$ 140,577
Exercisable, August 31, 2022	<u>2,070,240</u>	\$ 2.24	2.32	\$ 109,088

The exercise price for stock options outstanding at August 31, 2022:

Outstanding		Exercisable	
Number of Options	Exercise Price	Number of Options	Exercise Price
227,155	\$ 1.33	133,160	\$ 1.33
992,000	1.60	992,000	1.60
48,000	1.87	48,000	1.87
775,000	3.00	775,000	3.00
72,600	3.80	72,600	3.80
10,000	5.00	10,000	5.00
39,480	1.90	39,480	1.90
2,164,235		2,070,240	

For options granted during the year ended August 31, 2022 where the exercise price equaled the stock price at the date of the grant, the weighted-average fair value of such options was \$1.37, and the weighted-average exercise price of such options was \$1.41. No options were granted during the year ended August 31, 2022 where the exercise price was less than the stock price at the date of grant. For options granted during the year ended August 31, 2022 where the exercise price was greater than the stock price at the date of grant, the weighted-average fair value of such options was \$1.81, and the weighted-average exercise price of such options was \$1.90.

For options granted during fiscal year ended August 31, 2021 where the exercise price equaled the stock price at the date of the grant, the weighted-average fair value of such options was \$3.76, and the weighted-average exercise price of such options was \$3.80. No options were granted during fiscal year ended August 31, 2021 where the exercise price was less than the stock price at the date of grant or the exercise price was greater than the stock price at the date of grant.

The fair value of the stock options is being amortized to stock option expense over the vesting period. The Company recorded stock option expense of \$426,690 and \$155,496 during the years ended August 31, 2022 and 2021, respectively. At August 31, 2022, the unamortized stock option expense was \$137,525, which will be amortized to expense through February 2023.

The assumptions used in calculating the fair value of options granted using the Black-Scholes option-pricing model for options granted are as follows for the options granted during the year ended August 31, 2022 and 2021:

	2022	2021
Risk-free interest rate	0.93 to 3.01%	0.42%
Expected life of the options	2.5 years	2.5 years
Expected volatility	267% to 281%	268%
Expected dividend yield	0%	0%

Warrants

The following is a summary of warrant activity:

	Warrants Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
Outstanding, August 31, 2021	2,388,050	3.35	5.12	\$ -
Granted	6,057,214	2.05		
Forfeited	-			
Exercised	-			
Outstanding, August 31, 2022	8,445,264	2.42	3.5	\$ -
Exercisable, August 31, 2022	8,445,264	\$ 2.42	3.5	\$ -

The exercise price for warrants outstanding at August 31, 2022:

Outstanding and Exercisable		
Number of Warrants	Exercise Price	
5,833,334	\$ 2.00	
2,611,930	3.35	
8,445,264		

Note 15 - Income Taxes

The Company's Canadian subsidiaries are subject to the income tax laws of the Province of Ontario and the country of Canada.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. A full valuation allowance is established against all net deferred tax assets as of August 31, 2022 and 2021 based on estimates of recoverability. While the Company has optimistic plans for its business strategy, it determined that such a valuation allowance was necessary given the current and expected near term losses and the uncertainty with respect to its ability to generate sufficient profits from its business model.

The current and deferred income tax expenses for the year ended August 31, 2022 and 2021 were \$nil.

A reconciliation of the differences between the effective and statutory income tax rates are as follows:

Year Ended August 31, 2022	Canada	United States	Total
Combined statutory tax rate	26.5%	27.0%	
Pretax loss	\$ (8,105,151)	\$ (24,744,064)	\$ (32,849,215)
Expected income tax benefit	(2,147,864)	-26.5% (6,680,897)	-27.0% (8,828,761)
Stock based compensation	-	0.0% 474,239	17.4% 474,239
Change in valuation allowance	<u>2,147,864</u>	<u>26.5% 6,206,658</u>	<u>9.6% 8,354,522</u>
	<u>\$ -</u>	<u>0.0% \$ -</u>	<u>0.0% \$ -</u>
			0.0%

Year Ended August 31, 2021	Canada	United States	Total
Combined statutory tax rate	26.5%	27.0%	
Pretax loss	\$ (1,102,559)	\$ (3,359,588)	\$ (4,462,147)
Expected income tax benefit	(292,178)	-26.5% (907,089)	-27.0% (1,199,267)
Stock based compensation	-	0.0% 278,281	8.3% 278,281
Change in valuation allowance	<u>292,178</u>	<u>26.5% 628,808</u>	<u>18.7% 920,986</u>
	<u>\$ -</u>	<u>0.0% \$ -</u>	<u>0.0% \$ -</u>
			0.0%

At August 31, 2022 and 2021, the significant components of the deferred tax asset and liability are summarized below:

	2022	2021
Deferred tax asset:		
Net operating loss carryforwards	\$ 12,523,398	\$ 4,168,876
Total deferred tax asset	<u>12,523,398</u>	<u>4,168,876</u>
Less: valuation allowance	(12,523,398)	(4,168,876)
Total deferred tax asset	<u><u>=</u></u>	<u><u>=</u></u>
Deferred tax liability:		
Intangible assets	(1,445,448)	(1,500,372)
Total deferred tax liability	<u>(1,445,448)</u>	<u>(1,500,372)</u>
Net deferred tax liability	<u><u>\$ (1,445,448)</u></u>	<u><u>\$ (1,500,372)</u></u>

The valuation allowance for the years ended August 31, 2022 and 2021 increased as a result of the Company generating additional net operating losses.

The Company has recorded as of August 31, 2022 and 2021 a valuation allowance of \$12,523,398 and \$4,168,876, respectively, as it believes that it is more likely than not that the deferred tax assets will not be realized in future years. Management has based its assessment on the Company's lack of profitable operating history.

The Company conducts an analysis of its tax positions and has concluded that it has no uncertain tax positions as of August 31, 2022 and 2021.

As of August 31, 2022, the Company has net operating loss carry-forward of approximately \$7,001,380 and \$7,907,848 in the United States and Canada, respectively that begin to expire in 2030. The use of the net operating losses in the United States may be significantly limited due to Internal Revenue Code section 382. The 2021, 2020 and 2019 tax years are still subject to audit in the U.S. and reassessment in Canada.

Note 16 - Acquisitions

Acquisition of Businesses

On May 24, 2021, the Company's acquired PRO-DIP, LLC, to complement several of the Company's growth initiatives (i) to build a health science related IP portfolio, and (ii) deliver wellness and preventative healthcare products to the marketplace. This acquisition was considered an acquisition of a business under ASC 805. From the period from the acquisition date to August 31, 2021, PRO-DIP LLC had revenues of \$1,172 and a net loss of \$106,706.

On May 28, 2021, the Company and NHL entered into a Share Exchange Agreement (the "ACZ SEA") by and among the Company and NHL, on the one hand, and Acenzia Inc., Avec8 Holdings Inc., Ambour Holdings Inc., Indrajit Sinha, Grant Bourdeau and Derrick Bourdeau, on the other hand (collectively the "ACZ Shareholders"). On June 24, 2021, pursuant to the terms of the ACZ SEA, the acquisition of Acenzia by NHL closed. On October 22, 2021, the parties (i) set the final Purchase Price, as determined by the Post-Closing Purchase Price Adjustment, at a value of \$14,162,795, and (ii) agreed to the issuance of that number of NHL Exchangeable Shares (as defined in the ACZ SEA) exchangeable into 3,622,199 restricted shares of Company common stock at an agreed upon price of \$3.91 allotted for the ACZ Shareholders as provided for in the ACZ SEA. The price of the Company's common stock on the closing date was \$2.55; therefore the purchase price for accounting purposes was \$9,236,607. The Company acquired Acenzia to complement several of the Company's growth initiatives (i) to build a health science related IP portfolio, and (ii), acquire ownership interest in licensed and certified manufacturing and packaging facilities of health and wellness related products. This acquisition was considered an acquisition of a business under ASC 805. From the period from the acquisition date to August 31, 2021, Acenzia had revenues of \$446,390 and a net loss of \$549,666.

A summary of the purchase price allocation for Acenzia and PRO-DIP at fair value is below.

	Acenzia	PRO-DIP
Cash and cash equivalents	\$ 3,738,171	\$ -
Accounts receivable	808,165	-
Inventory	195,518	9,050
Prepaid expenses and other current assets	3,594	-
Property and equipment	5,687,988	16,355
Intangible assets	5,796,000	455,752
Goodwill	9,157,949	-
Accounts payable and accrued expenses	(1,845,114)	-
Due to related party	(185,614)	-
Note payable	(12,534,593)	(40,320)
Deferred tax liability	(1,536,000)	-
Lease obligation	(49,457)	-
Purchase price	<u>\$ 9,236,607</u>	<u>\$ 440,837</u>

The purchase price was paid as follows:

	Acenzia	PRO-DIP
Cash	\$ -	\$ 10,000
Issuance of common stock	-	430,837
Common stock to be issued	9,236,607	-
	<u>\$ 9,236,607</u>	<u>\$ 440,837</u>

Joint Venture

MiTelemed+ 50/50 Joint Venture with EK-Tech Solutions, Inc.

On October 8, 2021, the Company and NHL completed a Joint Venture Agreement (the "MiTelemed+ JV") with EK-Tech Solutions Inc. ("EK-Tech") to establish the joint venture company MiTelemed+ Inc., an Ontario province Canada corporation ("MiTelemed+"), to operate, support, and expand access and functionality of EK-Tech's enhanced proprietary Telehealth platform. At closing, EK-Tech contributed all intellectual property, source code, and core data of the iTelemed platform, valued at CAD\$1,500,000, and NHL issued to EK-Tech, non-voting NHL Exchangeable Special Shares, free and clear of all liens and encumbrances, which are issued solely for the purpose of EK-Tech to exchange, for 185,000 restricted shares of Company's common stock solely upon EK-Tech meeting terms and conditions for exchange of the NHL Exchangeable Special Shares as defined in the MiTelemed+ JV. The net profits and net losses of the JV will be split 50/50 between NHL and EK-Tech. As of August 31, 2022, the terms and conditions for the exchange of the NHL Exchangeable Special Shares had not been met.

Mullins Asset Purchase Agreement

On November 17, 2021, the Company entered into that certain Asset Purchase Agreement (the "Mullins APA"), dated as of November 17, 2021, by and between the Company and Terence Mullins. Pursuant to the terms of the Mullins APA, Mr. Mullins agreed to sell, and the Company agreed to purchase, all of Mr. Mullins' right, title and interest in and to certain assets (the "Mullins IP Assets"), in exchange for a purchase price of CAD\$2,500,000 (approximately \$1,990,250) which is to be paid as follows:

- (a) CAD\$2,000,000 (approximately \$1,592,200) is to be issued or allotted to Mr. Mullins only after patent-pending status, in the U.S. or internationally, is designated for all Mullins IP Assets (the "Mullins IP Assets CAD\$2m Shares"), as either restricted shares of Company common stock or NHL Exchangeable Shares, as determined by Mr. Mullins. Once issued or allotted, the Mullins IP Assets CAD \$2m Shares will be held in escrow pending registration and approval for all Mullins IP Assets, and
- (b) CAD\$500,000 (approximately \$398,050) is to be issued in the form of 118,821 restricted shares of Company common stock, free and clear of all liens, pledges, encumbrances, charges, or known claims of any kind, nature, or description, upon closing of the Mullins APA

All shares issued or allotted under the terms and conditions of the Mullins APA are calculated at a value of \$3.35 per share. The price of the Company's common stock on the closing date was \$1.59; therefore the purchase price for assets acquired (Intellectual property) by the payment of item (a) above was \$755,701 and item (b) above was \$188,925. The purchase price for item (a) above has been recorded as a contingent liability at fair value in the accompanying consolidated balance sheets since the conditions for payment have not been met as of August 31, 2022. The amounts assigned to assets acquired are provisional. Therefore, this may result in future adjustments to the provisional amounts as information is obtained about facts and circumstances that existed at the acquisition date.

In addition, the Company will pay a royalty equal to 10% of net revenue (net profit) of all iodine related sales reported through the Company or any of its wholly owned subsidiaries for a period equal to the commercial validity of the intellectual property.

Terragenx Share Exchange Agreement

On November 17, 2021, the Company and NHL, a wholly owned subsidiary of the Company, entered into that certain Share Exchange Agreement (the "Terra SEA"), dated as of November 17, 2021, by and among the Company, NHL, Terragenx Inc. ("Terra"), TMS Inc. ("TMS"), Shawn Mullins, Claude Fournier, and The Coles Optimum Health and Vitality Trust ("COHV" and collectively with TMS, Mr. Mullins and Mr. Fournier, the "Terra Shareholders"). Collectively, the Terra Shareholders owned 91% of the outstanding shares of Terra (the "Terra Purchased Shares").

Pursuant to the terms of the Terra SEA, NHL agreed to purchase from the Terra Shareholders, and the Terra Shareholders agreed to sell to NHL, the Terra Purchased Shares on the closing date, in exchange for payment by NHL of the purchase price (the "Purchase Price") of CAD\$500,000 (approximately \$398,050) (the "Exchange"). The Purchase Price was to be paid with the issuance, by NHL to the Terra Shareholders, of certain non-voting NHL special shares exchangeable into restricted shares of the Company's common stock (the "NHL Exchangeable Shares"). The total shares of Company common stock allotted in favor of the Terra Shareholders was calculated at a per share price of \$3.35.

The Exchange closed on November 17, 2021. At the closing of the Exchange, (i) the Terra Shareholders transferred to NHL a total of 910 shares of Terra common stock, representing 91% of Terra's outstanding shares, and (ii) a total of 100 NHL Exchangeable Shares were issued to the Terra Shareholders, which NHL Exchangeable Shares are exchangeable into a total of 118,821 restricted shares of the Company's common stock. As a result of the Exchange, NHL has 91% ownership of Terra and full control of the Terra business.

In addition, the Company will issue 500,000 shares of the Company's common stock to Terry Mullins as part of an employment agreement that is considered part of the purchase price. The price of the Company's common stock on the closing date was \$1.59; therefore the purchase price for accounting purposes was \$983,925. The Company acquired Terragenx to complement several of the Company's growth initiatives including (i) to build a health science related IP portfolio, and (ii) through either acquisition, internal development, or third-party licensing distribute effective, personalized health and wellness product solutions allowing for the customization of patient preventative care remedies and over-the-counter preventative and maintenance care solutions. This acquisition was considered an acquisition of a business under ASC 805. From the date of acquisition until August 31, 2022, Terragenx had revenues of \$266,635 and a net loss of \$1,362,225.

A summary of the purchase price allocation for Terra at fair value is below.

Cash and cash equivalents	\$ 29,291
Inventory	42,273
Prepaid expenses and other current assets	398
Property and equipment	66,759
Intangible assets	1,179,361
Accounts payable and accrued expenses	(189,080)
CEBA loan	(47,766)
Minority interest	(97,311)
Purchase price	\$ 983,925

The purchase price was paid as follows:

Cash	\$	-
Common stock to be issued		983,925
	<hr/>	<hr/>
		983,925

The purchase of Terragenx was not considered significant for accounting purposes; therefore, pro forma financial statements are not presented.

Share Exchange Agreement to Acquire 50.1% of 12858461 Canada Corp.

On March 1, 2022, the Company and NHL completed a Share Exchange Agreement (the "1285 SEA") with 12858461 Canada Corp. ("1285"), a Canada federal corporation in the business of providing clinic-based physiotherapy and related ancillary services and products, and Prashant A. Jani, a Canadian citizen and sole shareholder of 1285 (the "1285 Shareholder"), to acquire 50.1% ownership of 1285 for a purchase price of \$68,000 (the "1285 Purchase Price") paid with the issuance, by NHL to the 1285 Shareholder, of certain non-voting NHL Exchangeable Special Shares which can only be utilized for the purpose of exchange into an allotment of 17,000 restricted shares of the Company's common stock (the "Parent 1285 SEA Shares") at the determination of the 1285 Shareholder. The number of Parent 1285 SEA Shares was calculated by dividing the 1285 Purchase Price by \$4.00 per share.

This acquisition was considered an acquisition of a business under ASC 805. From the date of acquisition until August 31, 2022, 1285 had revenues of \$111,764 and a net income of \$33,022.

A summary of the purchase price allocation for 1285 at fair value is below.

Cash and cash equivalents	\$	7,629
Accounts receivable		2,754
Property and equipment		8,813
Goodwill		602
Intangible assets		31,101
Minority interest		(25,401)
Purchase price	<hr/>	<hr/>
		25,500

The purchase price was paid as follows:

Cash	\$	-
Common stock to be issued		25,500
	<hr/>	<hr/>
		25,500

The purchase of 1285 was not considered significant for accounting purposes; therefore, pro forma financial statements are not presented.

Asset Purchase Agreement with Poling Taddeo Hovius Physiotherapy Professional Corp., operating as Fairway Physiotherapy and Sports Injury Clinic

On March 1, 2022, the Company and NHL completed an Asset Purchase Agreement (the “PTHPC APA”) with Poling Taddeo Hovius Physiotherapy Professional Corp. (“PTHPC”), operating a clinic-based physiotherapy, rehabilitative, and related ancillary services and products business known as Fairway Physiotherapy and Sports Injury Clinic (“FAIR”), and Jason Taddeo, a Canadian citizen and the sole shareholder of PTHPC (the “PTHPC Shareholder”). Under the terms and conditions of the PTHPC APA, PTHPC agreed to sell, assign and transfer to NHL, free and clear of all encumbrances, other than permitted encumbrances, and NHL agreed to purchase from PTHPC all of PTHPC’s right, title and interest in and to all of its assets related to FAIR and the FAIR Business, with the exception of certain limited exclusions, and the rights, privileges, claims and properties of any kind whatsoever that are related thereto, whether owned or leased, real or personal, tangible or intangible, of every kind and description and wheresoever situated. Under the terms and conditions of the PTHPC APA, the purchase price is \$627,000 (the “FAIR Purchase Price”) paid with the issuance, by NHL to the PTHPC Shareholder, of certain non-voting NHL Exchangeable Special Shares which can only be utilized for the purpose of exchange into an allotment of 156,750 restricted shares of the Company’s common stock (the “Parent PTHPC APA Shares”) at the determination of the PTHPC Shareholder. The number of Parent PTHPC APA Shares was calculated by dividing the FAIR Purchase Price by \$4.00 per share.

This acquisition was considered an acquisition of a business under ASC 805. From the date of acquisition until August 31, 2022, PTHPC had revenues of \$245,258 and a net loss of \$61,619.

A summary of the purchase price allocation for PTHPC at fair value is below.

Cash and cash equivalents	\$ 18,383
Accounts receivable	44,289
Prepaid expenses and other current assets	11,292
Property and equipment	9,475
Intangible asset	151,686
Purchase price	<u><u>\$ 235,125</u></u>

The purchase price was paid as follows:

Cash	\$ -
Common stock to be issued	<u><u>235,125</u></u>
	<u><u>\$ 235,125</u></u>

The purchase of PTHPC was not considered significant for accounting purposes; therefore, pro forma financial statements are not presented.

Membership Interest Purchase Agreement with Clinical Consultants International LLC

On March 17, 2022, the Company entered into a Membership Interest Purchase Agreement (the “CCI Agreement”) by and among the Company, CCI, each of the members of CCI (the “CCI Members”), and Dr. Joseph Chalil as the representative of the CCI Members.

Pursuant to the terms of the CCI Agreement, among other things, the CCI Members will sell and assign to the Company all of their membership interests of CCI, in exchange for a total of 800,000 restricted shares of the Company’s common stock (the “Exchange Shares”) (“CCI Acquisition”). The Exchange Shares will be apportioned among the Members pro rata based on their respective membership interest ownership percentage of CCI. Following the closing of the CCI Acquisition (the “Closing”), the Company will own 100% of the issued and outstanding membership interests of CCI, and the CCI Members or their designees will collectively own 800,000 restricted shares of the Company’s common stock. The restricted shares were issued on April 7, 2022.

This CCI Acquisition was accounted for as an asset acquisition, as substantially all of the fair value of the assets being acquired under the arrangement was concentrated in the customer relationships. Accordingly, the \$1,704,000 purchase price was primarily allocated to the customer relationships intangible asset, for \$1,701,814, and will be amortized over an estimated useful life of 5 years. The remaining purchase price was allocated to cash and cash equivalents.

A summary of the purchase price allocation for CCI at fair value is below.

Cash and cash equivalents	\$ 2,186
Intangible asset	1,701,814
Purchase price	\$ 1,704,000

The purchase price was paid as follows:

Cash	\$ -
Common stock	1,704,000
	\$ 1,704,000

Note 17 - Commitments and Contingencies

Litigation

The Company is party to certain legal proceedings from time to time incidental to the conduct of its business (including the matters described below). The Company recognizes liabilities for any contingency that is probable of occurrence and reasonably estimable. The Company continually assesses the likelihood of adverse judgments or outcomes in such matters, as well as potential ranges of possible losses (taking into consideration any insurance recoveries), based on a careful analysis of each matter with the assistance of outside legal counsel and, if applicable, other experts.

Such matters included an action against one of the Company's subsidiaries for settlement of outstanding legal fees relating to an unsuccessful transaction. Based on available information to date, the Company estimates that a resolution of these matters would result in a probable loss of at least \$381,359 (CAD \$500,000), and was recognized as an accrual on the consolidated balance sheet.

Given the uncertainty inherent in litigation and investigations, the Company does not believe it is possible to develop estimates of reasonably possible losses (or a range of possible losses) in excess of current accruals for such matters. The nature of legal proceedings is such that the Company cannot assure the outcome of any particular matter, and an unfavorable ruling or development could have a materially adverse effect on our consolidated financial position, results of operations and cash flows in the period in which a ruling or settlement occurs. However, based on information available to the Company's management to date, the Company's management does not expect that the outcome of any matter pending against the Company is likely to have a materially adverse effect on the Company's consolidated financial position, results of operations, cash flows or liquidity.

Note 18 - Segment Reporting

ASC Topic 280, *Segment Reporting*, requires use of the "management approach" model for segment reporting. The management approach model is based on the way a company's management organizes segments within the Company for making operating decisions and assessing performance. The Company has two reportable segments: healthcare services and product sales.

The following tables summarize the Company's segment information for the years ended August 31, 2022 and 2021:

	Years Ended August 31,	
	2022	2021
Sales		
Healthcare services	\$ 8,397,857	\$ 8,857,693
Product Sales	3,336,899	447,562
Corporate	3,181	-
	\$ 11,737,937	\$ 9,305,255
Gross profit		
Healthcare services	\$ 3,448,233	\$ 3,694,512
Product Sales	1,347,825	128,486
Corporate	3,180	-
	\$ 4,799,238	\$ 3,822,998
Loss from operations		
Healthcare services	\$ (1,506,135)	\$ (516,437)
Product Sales	(4,940,559)	(580,523)
Corporate	(18,579,983)	(3,276,559)
	\$ (25,026,677)	\$ (4,373,519)
Depreciation and amortization		
Healthcare services	\$ 141,529	\$ 91,978
Product Sales	1,337,324	203,459
Corporate	1,540,400	1,428,685
	\$ 3,019,253	\$ 1,724,122
Capital expenditures		
Healthcare services	\$ -	\$ 216,284
Product Sales	3,600	39,665
Corporate	-	-
	\$ 3,600	\$ 255,949
Interest expenses		
Healthcare services	\$ 76,255	\$ 89,154
Product Sales	962,480	75,849
Corporate	555,540	-
	\$ 1,594,275	\$ 165,003
Net loss		
Healthcare services	\$ (1,408,891)	\$ (552,893)
Product Sales	(7,305,571)	(656,372)
Corporate	(24,330,716)	(3,261,670)
	\$ (33,045,178)	\$ (4,470,935)
Total assets		
Healthcare services	\$ 5,917,403	\$ 7,318,888
Product Sales	19,595,269	21,427,285
Corporate	15,360,168	33,212,108
	\$ 40,872,840	\$ 61,958,281
Accounts receivable		
Healthcare services	\$ 585,492	\$ 953,919
Product Sales	419,417	514,510
Corporate	12,496	-
	\$ 1,017,405	\$ 1,468,429
Intangible assets		
Healthcare services	\$ 159,453	\$ -
Product Sales	5,283,333	5,958,736
Corporate	13,397,832	26,070,763
	\$ 18,840,619	\$ 32,029,499
Goodwill		
Healthcare services	\$ 537,537	\$ 557,357
Product Sales	7,288,307	8,931,491
Corporate	-	-
	\$ 7,825,844	\$ 9,488,848

Note 19 - Subsequent Events

Registration Statement on Form S-1

On September 13, 2022, the Company filed a registration statement on Form S-1 (File No. 333-267401) (as amended, the "Registration Statement"). The Registration Statement relates to the Company's proposed offer of up to 19,138,756 units ("Units"), with each Unit consisting of (i) one share of common stock, (ii) one warrant with a three-year term to purchase one share of common stock at an exercise price of \$1.045 per share (100% of the offering price per Unit) ("Three-Year Warrant"), and (iii) one warrant with a five-year term to purchase one share of common stock at an exercise price of \$1.045 per share (100% of the offering price per Unit) ("Five-Year Warrant") on a best-efforts basis. The assumed public offering price is \$1.045 per Unit. Each Three-Year Warrant and Five-Year Warrant will be immediately exercisable for one share of common stock at an assumed exercise price of \$1.045 per share (not less than 100% of the public offering price of each Unit sold in the offering). The actual public offering price per Unit will be determined between the Company, Maxim Group LLC and the investors in the offering, and may be at a discount to the current market price of the Company's common stock.

As indicated in the Registration Statement, the Company also proposes to offer to each purchaser of Units that would otherwise result in the purchaser's beneficial ownership exceeding 4.99% of the Company's outstanding common stock immediately following the consummation of the offering, the opportunity to purchase Units consisting of one pre-funded warrant to purchase one share of common stock ("Pre-Funded Warrant") (in lieu of one share of common stock), one Three-Year Warrant and one Five-Year Warrant. Subject to limited exceptions, a holder of Pre-Funded Warrants will not have the right to exercise any portion of its Pre-Funded Warrants if the holder, together with its affiliates, would beneficially own in excess of 4.99% (or, at the election of the holder, such limit may be increased to up to 9.99%) of the number of shares of common stock outstanding immediately after giving effect to such exercise. Each Pre-Funded Warrant will be exercisable for one share of common stock. The purchase price of each Unit including a Pre-Funded Warrant will be equal to the price per Unit including one share of common stock, minus \$0.01, and the remaining exercise price of each Pre-Funded Warrant will equal \$0.01 per share. The Pre-Funded Warrants will be immediately exercisable (subject to the beneficial ownership cap) and may be exercised at any time until all of the Pre-Funded Warrants are exercised in full. For each Unit including a Pre-Funded Warrant sold (without regard to any limitation on exercise set forth therein), the number of Units including a share of common stock offered will be decreased on a one-for-one basis. The common stock and Pre-Funded Warrants, if any, can each be purchased in the offering only with the accompanying Three-Year Warrant and Five-Year Warrant as part of a Unit, but the components of the Units will immediately separate upon issuance. The Company also proposes to register the common stock issuable from time to time upon exercise of the Pre-Funded Warrants, Three-Year Warrants and Five-Year Warrants included in the Units.

There is no minimum number of Units or minimum aggregate amount of proceeds for the offering to close.

The Company expects to commence the sale of the securities as of the date on which the Registration Statement is declared effective by the SEC. No sales will be made prior to effectiveness of the Registration Statement. There can be no assurance that the Registration Statement will be declared effective by the SEC.

Promissory Note Amortization Payment

On September 14, 2022, the Company made a cash payment in the aggregate amount of \$1,435,683 for the monthly Amortization Payment pursuant to the terms and conditions of the \$16.66mt convertible notes.

CVI Investments, Inc. Waiver and Amendment

On October 13, 2022, the Company entered into a Waiver and Amendment (the "CVI Waiver and Amendment") with CVI Investments, Inc. ("CVI"). Pursuant to the terms of the CVI Waiver and Amendment, (i) the Company obtained a limited waiver from CVI with respect to certain provisions of a Warrant to Purchase Common Stock, dated as of December 14, 2021, issued by the Company to CVI (the "CVI Warrant"); (ii) the Company and CVI amended certain provisions of the CVI Warrant; (iii) the Company obtained a limited waiver from CVI with respect to certain provisions of a Senior Secured Convertible Note, dated as of December 14, 2021, issued by the Company to CVI (the "CVI Note"); and (iv) the Company and CVI amended certain provisions of the CVI Note, all as more fully described below and as set forth in the CVI Warrant and the CVI Note, as applicable.

Pursuant to the terms of the CVI Waiver and Amendment, the Company obtained a limited waiver from CVI with respect to the provisions of the CVI Warrant that would have reduced the exercise price of the CVI Warrant upon the closing of the sale of the Company's common stock by the Company (the "Offering") to be conducted as set forth in and pursuant to the prospectus contained in the Registration Statement on Form S-1 (File No. 333-267401) filed by the Company on September 13, 2022, as subsequently amended and as declared effective on October 13, 2022. In addition, the Company and CVI agreed to amend the CVI Warrant to provide that the exercise price of the CVI Warrant shall be the price at which the Company's common stock is offered for sale in the Offering.

Also pursuant to the terms of the CVI Waiver and Amendment, the Company obtained a limited waiver from CVI with respect to the provisions of the CVI Note that would have reduced the conversion price of the CVI Note upon the closing of the Offering. CVI also agreed to extend the date on which the Amortization Redemption Amount (as defined in the CVI Note) may be paid from October 14, 2022 to October 19, 2022. In addition, the Company and CVI agreed to amend the CVI Note to provide that the conversion price set forth in the CVI Note shall be the price at which the Company's common stock is being offered for sale in the Offering.

Hudson Bay Master Fund Ltd. Waiver and Amendment

Also on October 13, 2022, the Company entered into a Waiver and Amendment (the "Hudson Bay Waiver and Amendment") with Hudson Bay Master Fund Ltd. ("Hudson Bay"). Pursuant to the terms of the Hudson Bay Waiver and Amendment, (i) the Company obtained a limited waiver from Hudson Bay with respect to certain provisions of a Warrant to Purchase Common Stock, dated as of December 14, 2021, issued by the Company to Hudson Bay (the "Hudson Bay Warrant"); (ii) the Company and Hudson Bay amended certain provisions of the Hudson Bay Warrant; (iii) the Company obtained a limited waiver from Hudson Bay with respect to certain provisions of a Senior Secured Convertible Note, dated as of December 14, 2021, issued by the Company to Hudson Bay (the "Hudson Bay Note"); and (iv) the Company and Hudson Bay amended certain provisions of the Hudson Bay Note, all as more fully described below and as set forth in the Hudson Bay Warrant and the Hudson Bay Note, as applicable.

Pursuant to the terms of the Hudson Bay Waiver and Amendment, the Company obtained a limited waiver from Hudson Bay with respect to the provisions of the Hudson Bay Warrant that would have reduced the exercise price of the Hudson Bay Warrant upon the closing of the Offering. In addition, the Company and Hudson Bay agreed to amend the Hudson Bay Warrant to provide that the exercise price of the Hudson Bay Warrant shall be the price at which the Company's common stock is offered for sale in the Offering.

Also pursuant to the terms of the Hudson Bay Waiver and Amendment, the Company obtained a limited waiver from Hudson Bay with respect to the provisions of the Hudson Bay Note that would have reduced the conversion price of the Hudson Bay Note upon the closing of the Offering. Hudson Bay also agreed to extend the date on which the Amortization Redemption Amount (as defined in the Hudson Bay Note) may be paid from October 14, 2022 to October 19, 2022. In addition, the Company and Hudson Bay agreed to amend the Hudson Bay Note to provide that the conversion price set forth in the Hudson Bay Note shall be the price at which the Company's common stock is being offered for sale in the Offering.

Unit Offering

On October 18, 2022 (the "Closing Date"), the Company sold an aggregate of 4,000,000 units (the "Units") for an aggregate of \$2,000,000, at a purchase price \$0.50 per Unit (the "Offering"), consisting of (i) 4,000,000 shares (the "Shares") of the Company's common stock, (ii) warrants with a three-year term to purchase 4,000,000 shares of common stock at an exercise price of \$0.50 per share (the "Three Year Warrants"), and (iii) warrants with a five-year term to purchase 4,000,000 shares of common stock at an exercise price of \$0.50 per share (the "Five Year Warrants" and together with the Three Year Warrants, the "Warrants").

On October 13, 2022, the Company entered into a Placement Agency Agreement (the “Placement Agency Agreement”) with Maxim Group LLC, as exclusive placement agent thereunder (the “Placement Agent”), pursuant to which the Placement Agent agreed to act as the Company’s exclusive placement agent to solicit offers to purchase the Units, and the Common Stock and Warrants forming part of the Units, offered by the prospectus (“Prospectus”) contained in the Registration Statement on Form S-1 (File No. 333-267401) declared effective by the Securities and Exchange Commission on October 13, 2022 (the “Registration Statement”). The Placement Agent did not purchase or sell any securities, nor was it required to arrange for the purchase and sale of any specific number or dollar amount of securities, other than to use its “reasonable best efforts” to arrange for the sale of the securities by the Company. Accordingly, there was no minimum amount of proceeds that was a condition to closing of the Offering.

The Offering resulted in gross proceeds to the Company of approximately \$2,000,000 before deducting the Placement Agent fees and related offering expenses, and excluding proceeds to the Company, if any, that may result from the future exercise of Warrants issued in the Offering which formed part of the Units. Pursuant to the terms of the Placement Agency Agreement, the Company paid the Placement Agent a cash fee of \$140,000 equal to 7.0% of the gross proceeds of the Offering as well as reimbursed the Placement Agent for its accountable expenses, resulting in net proceeds to the Company of \$1,795,000.

Under the Placement Agency Agreement, the Company agreed to certain restrictions on future stock offerings, including that during the 90-day period following the Closing Date, the Company will not issue (or enter into any agreement to issue) any shares of common stock or common stock equivalents, subject to certain exceptions, and will not file any registration statements. In addition, during the 180-day period following the Closing Date and subject to certain exceptions, the Company is prohibited from entering into (i) a transaction that would result in the Company issuing common stock that has a variable conversion price, exercise price, or exchange rate, or such a price that would reset upon the occurrence of specified or contingent events; or (ii) a transaction in which the Company agrees to issue securities at a future determined price. Each of the Company’s officers, directors, and any holder of 10% or more of the outstanding common stock has agreed to a three-month “lock-up” with respect to their shares of common stock, including securities that are convertible into, or exchangeable or exercisable for, shares of common stock. Subject to certain exceptions, during such lock-up period these holders may not offer, sell, pledge or otherwise dispose of these securities, without the prior written consent of the Placement Agent. The Placement Agency Agreement provides that the Placement Agent’s obligations were subject to conditions contained in the Placement Agency Agreement.

Each Warrant had an exercise price of \$0.50 per share and is exercisable upon issuance. As a result of the Company’s entry, on November 14, 2022, into the CVI Exchange Offer and Amendment (as hereinafter defined) and the Hudson Bay Exchange Offer and Amendment (as hereinafter defined), the exercise price of each Warrant was reduced to \$0.10 per share. The Three Year Warrants and the Five Year Warrants will expire three years and five years from the date of issuance, respectively.

Each Warrant is exercisable for one share of common stock, subject to adjustment in the event of stock dividends, stock splits, stock combinations, reclassifications, reorganizations or similar events affecting the common stock as described in the Prospectus. Subject to certain exemptions outlined in the Three Year Warrants and Five Year Warrants, if the Company sells, enters into an agreement to sell, or grants any option to purchase, or sell, enters into an agreement to sell, or grants any right to reprice, or otherwise disposes of or issues (or announces any offer, sale, grant or any option to purchase or other disposition) any shares of common stock or Common Stock Equivalents (as defined in the Three Year Warrants and Five Year Warrants), at an effective price per share less than the exercise price of the Three Year Warrants or Five Year Warrants then in effect, the exercise price of the Three Year Warrants and Five Year Warrants will be reduced to equal the effective price per share in such dilutive issuance; provided, however, in no event will the exercise price of the Three Year Warrants and Five Year Warrants be reduced to an exercise price lower than \$0.10. Additionally, on the date that is 60 calendar days immediately following the initial issuance date of the Three Year Warrants and Five Year Warrants, the exercise price will be reduced to the Reset Price (as hereinafter defined), provided that the Reset Price is less than the exercise price in effect on that date. The “Reset Price” is equal to the greater of (a) 50% of the initial exercise price or (b) 100% of the lowest daily volume weighted average price per share of common stock (“VWAP”) occurring during the 60 calendar days following the issuance date of the Three Year Warrants and Five Year Warrants.

On October 13, 2022, the (i) conversion price of the Senior Secured Convertible Notes, and the (ii) exercise price per share of common stock under the warrants to purchase common stock, issued by the Company and held by CVI Investments, Inc. and Hudson Bay Master Fund Ltd. (the “Holders”) was reduced to \$0.50 per share of common stock based on the offering price of each Unit in the Offering and in accordance with waivers by the Holders, as further described in the Company’s Current Report on Form 8-K filed with the Securities and Exchange Commission on October 14, 2022.

The terms of the Three Year Warrants and Five Year Warrants are governed by a Warrant Agency Agreement (the "Warrant Agency Agreement"), dated as of the Closing Date, by and between the Company and Pacific Stock Transfer Company (the "Warrant Agent"). Pursuant to the terms of the Warrant Agency Agreement, the Company agreed to indemnify the Warrant Agent in its roles as transfer agent and warrant agent, its agents and each of its stockholders, directors, officers and employees against all liabilities, including judgments, costs and reasonable counsel fees that may arise out of acts performed or omitted for its activities in that capacity, except for any liability due to any gross negligence, willful misconduct or bad faith of the indemnified person or entity.

Promissory Note Amortization Payment

On October 19, 2022, the Company made a cash payment in the aggregate amount of \$1,429,896 for the monthly Amortization Payment pursuant to the terms and conditions of the \$16.66mt convertible notes.

Restricted Stock Issuance

On October 26, 2022, the Company issued 36,222 restricted shares of common stock for NHL Exchangeable Shares under the terms and conditions of a Share Exchange Agreement which closed on June 24, 2021.

CVI Investments, Inc. Exchange Offer and Amendment

On November 14, 2022, the Company entered into an exchange offer and amendment (the "CVI Exchange Offer and Amendment") with CVI. Pursuant to the terms of the CVI Exchange Offer and Amendment, (i) the Company exchanged one share of the Company's common stock for each share of common stock (the "CVI Warrant Exchange") underlying the warrant to purchase common stock, dated as of December 14, 2021, issued by the Company to CVI (the "CVI Warrant"); and (ii) the Company and CVI amended certain provisions of the senior secured convertible note, dated as of December 14, 2021, issued by the Company to CVI (the "CVI Note"), all as more fully described below and as set forth in the CVI Warrant and the CVI Note, as applicable. On November 15, 2022 and January 5, 2023, 1,757,319 and 1,159,348 shares of common stock were issued under the terms and conditions of the CVI Warrant Exchange.

Pursuant to the terms of the CVI Exchange Offer and Amendment, the Company and CVI agreed to amend the CVI Note such that (i) the Company shall pay the interest originally payable in November 2022 and December 2022 upon execution of the CVI Exchange Offer and Amendment, (ii) the Company shall pay a \$50,000.00 extension fee to CVI (\$10,000 on January 15, 2023, \$10,000 on February 14, 2023, \$10,000 on March 14, 2023, \$10,000 on April 14, 2023, and \$10,000 on May 15, 2023), (iii) the payment dates for the principal originally payable in November 2022 and December 2022 shall be extended such that 1/5 of such respective principal amount shall instead be paid on each Amortization Date (as defined in the CVI Note) during January 2023, February 2023, March 2023, April 2023, and May 2023, in addition to the Amortization Redemption Amounts (as defined in the CVI Note) (the "Amortization Redemption Amounts") due on the aforementioned dates in 2023.

Also, pursuant to the terms of the CVI Exchange Offer and Amendment, the Company agreed to hold an annual or special meeting of stockholders on or prior to the date that is 90 calendar days after November 14, 2022, for the purpose of obtaining shareholder approval ("Shareholder Approval") to amend the CVI Note as follows:

(i) the definition of Conversion Price (as defined in the CVI Note) (the "Conversion Price") shall be amended such that, as to the first \$1,000,000 of principal amount of the CVI Note converted after the date that the Shareholder Approval is obtained, the Conversion Price shall be the lower of (i) the Conversion Price in effect at such time and (ii) 82.0% of the lowest VWAP (as defined in the CVI Note) during the five trading days immediately prior to the applicable conversion date (the "Adjusted Conversion Price"), provided, however, that the portion of the first \$1,000,000 of principal amount of the CVI Note that is converted pursuant to a voluntary conversion by CVI shall reduce each of the remaining Amortization Redemption Amounts proportionately on a pro rata basis;

(ii) CVI may accelerate up to four Amortization Redemption Amounts (as defined in the Notes) provided that CVI agrees to accept shares of common stock instead of cash for such payments at a price per share equal to the Adjusted Conversion Price as calculated on the immediately preceding Amortization Date (as defined in the CVI Note)); and

(iii) upon mutual consent by the Company and CVI, CVI may elect to utilize the Adjusted Conversion Price for the balance of the Notes.

The CVI Exchange Offer and Amendment further provides that from November 14, 2022 until 30 days following November 14, 2022, neither the Company nor any of its subsidiaries shall (i) issue, enter into any agreement to issue or announce the issuance or proposed issuance of any common stock or any securities convertible or exchangeable into common stock, or (ii) enter into any agreement to amend, exchange or otherwise provide any incentive to exercise any of the warrants originally issued together with the Exchange Warrants or any other warrants of the Company that are outstanding on November 14, 2022, in each such case except with respect to certain exempt issuances.

Hudson Bay Master Fund Ltd. Exchange Offer and Amendment

Also, on November 14, 2022, the Company entered into an exchange offer and amendment (the "Hudson Bay Exchange Offer and Amendment") with Hudson Bay. Pursuant to the terms of the Hudson Bay Exchange Offer and Amendment, (i) the Company exchanged one share of the Company's common stock for each share of common stock (the "Hudson Bay Warrant Exchange") underlying the warrant to purchase common stock, dated as of December 14, 2021, issued by the Company to Hudson Bay (the "Hudson Bay Warrant"); and (ii) the Company and Hudson Bay amended certain provisions of the senior secured convertible note, dated as of December 14, 2021, issued by the Company to Hudson Bay (the "Hudson Bay Note"), all as more fully described below and as set forth in the Hudson Bay Warrant and the Hudson Bay Note, as applicable. On November 15, 2022, 2,916,667 shares of common stock were issued under the terms and conditions of the Hudson Bay Warrant Exchange.

Pursuant to the terms of the Hudson Bay Exchange Offer and Amendment, the Company and Hudson Bay agreed to amend the Hudson Bay Note such that (i) the Company shall pay the interest originally payable in November 2022 and December 2022 upon execution of the Hudson Bay Exchange Offer and Amendment, (ii) the Company shall pay a \$50,000 extension fee to Hudson Bay (\$10,000 on January 15, 2023, \$10,000 on February 14, 2023, \$10,000 on March 14, 2023, \$10,000 on April 14, 2023, and \$10,000 on May 15, 2023), (iii) the payment dates for the principal originally payable in November 2022 and December 2022 shall be extended such that 1/5 of such respective principal amount shall instead be paid on each Amortization Date (as defined in the Hudson Bay Note) during January 2023, February 2023, March 2023, April 2023, and May 2023, in addition to the Amortization Redemption Amounts (as defined in the Hudson Bay Note) (the "Amortization Redemption Amounts") due on the aforementioned dates in 2023.

Also, pursuant to the terms of the Hudson Bay Exchange Offer and Amendment, the Company agreed to hold an annual or special meeting of stockholders on or prior to the date that is 90 calendar days after November 14, 2022, for the purpose of obtaining shareholder approval ("Shareholder Approval") to amend the Hudson Bay Note as follows:

(i) the definition of Conversion Price (as defined in the Hudson Bay Note) (the "Conversion Price") shall be amended such that, as to the first \$1,000,000 of principal amount of the Hudson Bay Note converted after the date that the Shareholder Approval is obtained, the Conversion Price shall be the lower of (i) the Conversion Price in effect at such time and (ii) 82.0% of the lowest VWAP (as defined in the Hudson Bay Note) during the five trading days immediately prior to the applicable conversion date (the "Adjusted Conversion Price"), provided, however, that the portion of the first \$1,000,000 of principal amount of the Hudson Bay Note that is converted pursuant to a voluntary conversion by Hudson Bay shall reduce each of the remaining Amortization Redemption Amounts proportionately on a pro rata basis;

(ii) Hudson Bay may accelerate up to four Amortization Redemption Amounts (as defined in the Notes) provided that Hudson Bay agrees to accept shares of Common Stock instead of cash for such payments at a price per share equal to the Adjusted Conversion Price as calculated on the immediately preceding Amortization Date (as defined in the Hudson Bay Note); and

(iii) upon mutual consent by the Company and Hudson Bay, Hudson Bay may elect to utilize the Adjusted Conversion Price for the balance of the Notes.

The Hudson Bay Exchange Offer and Amendment further provides that from November 14, 2022 until 30 days following November 14, 2022, neither the Company nor any of its subsidiaries shall (i) issue, enter into any agreement to issue or announce the issuance or proposed issuance of any Common Stock or any securities convertible or exchangeable into Common Stock, or (ii) enter into any agreement to amend, exchange or otherwise provide any incentive to exercise any of the warrants originally issued together with the Exchange Warrants or any other warrants of the Company that are outstanding on November 14, 2022, in each such case except with respect to certain exempt issuances.

Promissory Note Amortization Payment Interest Only

On November 14, 2022, as provided in the CVI Exchange Offer and Amendment, the Company made a cash payment, in the amount of \$37,384, for the monthly interest owed on the CVI Note outstanding principal balance. On November 14, 2022, as provided in the Hudson Bay Exchange Offer and Amendment, the Company made a cash payment, in the amount of \$33,056, for the monthly interest owed on the Hudson Bay Note outstanding principal balance.

On January 17, 2023, March 2, 2023, and March 14, 2023, the Company made an interest payment on the Hudson Bay Note, to Hudson Bay, in the amount of \$8,333, \$625, and \$208, respectively. On January 17, 2023, March 2, 2023, and March 14, 2023, pursuant to the terms of the Hudson Bay Exchange Offer and Amendment, the Company paid, to Hudson Bay, extension fees in the amount of \$10,000, \$10,000, and \$10,000, respectively. On March 24, 2023, the Company paid to Hudson Bay an aggregate of \$70,069, representing the remaining principal balance on the Hudson Bay Note (\$50,000), interest on the Hudson Bay Note (\$69), and extension fees (\$20,000). As of March 24, 2023, the Hudson Bay Note was paid in full and no amounts remain due and outstanding in respect of the Hudson Bay Note.

On March 14, 2023, the Company made a principal payment on the CVI Note, to CVI, in the amount of \$6,111 and an interest payment on the CVI Note, to CVI, in the amount of \$77. Also on March 14, 2023, pursuant to the terms of the CVI Exchange Offer and Amendment, the Company paid, to CVI, an extension fee in the amount of \$30,000. On March 24, 2023, the Company paid to CVI an extension fee in the amount of \$20,000. As of March 24, 2023, the CVI Note was paid in full and no amounts remain due and outstanding in respect of the CVI Note.

Share Issuances in Connection with Warrant Exercises

Subsequent to the fiscal year ended August 31, 2022, the Company issued an aggregate of 3,910,000 shares of common stock to certain warrant holders upon exercise of their warrants related to the Company's Registration Statement on Form S-1 (File No. 333-267401) declared effective by the Securities and Exchange Commission on October 13, 2022.

Share Issuances in Connection with Note Conversions

Subsequent to the fiscal year ended August 31, 2022, the Company issued an aggregate of 94,185,340 shares of common stock to certain note holders upon conversion of their notes. As of March 31, 2023, (i) the principal balance owed by the Company to Hudson Bay pursuant to the senior secured convertible note, dated as of December 14, 2021, as amended, issued by the Company to Hudson Bay is \$0, (ii) the principal balance owed by the Company to CVI pursuant to the senior secured convertible note, dated as of December 14, 2021, as amended, issued by the Company to CVI is \$0; and (iii) the principal balance owed by the Company to Jefferson pursuant to the secured convertible note, dated as of November 17, 2021, as amended, issued by the Company to Jefferson is \$0.

Share Issuance in Exchange for Certain NHL Non-Voting Special Shares

Subsequent to the fiscal year ended August 31, 2022, the Company issued 3,202,019 shares of common stock in exchange for certain non-voting special shares of NHL, previously issued in connection with NHL's acquisition of Acenzia that closed on June 24, 2021.

Nasdaq Notification—Minimum Bid Price Requirement

On November 21, 2022, the Company received a notification letter (the "November Notification Letter") from The Nasdaq Stock Market, LLC ("Nasdaq") that it is not in compliance with the minimum bid price requirements set forth in Nasdaq Listing Rule 5550(a)(2) for continued listing on The Nasdaq Capital Market. Nasdaq Listing Rule 5550(a)(2) requires listed securities to maintain a minimum bid price of \$1.00 per share, and Nasdaq Listing Rule 5810(c)(3)(A) provides that a failure to meet the minimum bid price requirement exists if the deficiency continues for a period of 30 consecutive business days. Based on the closing bid price of the Company's common stock between October 10, 2022 and November 11, 2022, the Company no longer meets the minimum bid price requirement. The November Notification Letter has no immediate effect on the listing or trading of the Company's common stock on The Nasdaq Capital Market and, at this time, the common stock will continue to trade on The Nasdaq Capital Market under the symbol "NVOS."

The November Notification Letter provides that the Company has 180 calendar days, or until May 22, 2023, to regain compliance with Nasdaq Listing Rule 5550(a)(2). To regain compliance, the bid price of the Company's common stock must have a closing bid price of at least \$1.00 per share for a minimum of 10 consecutive business days. If the Company does not regain compliance by May 22, 2023, an additional 180 days may be granted to regain compliance, so long as the Company meets The Nasdaq Capital Market continued listing requirements (except for the bid price requirement) and notifies Nasdaq in writing of its intention to cure the deficiency during the second compliance period. If the Company does not qualify for the second compliance period or fails to regain compliance during the second 180-day period, then Nasdaq will notify the Company of its determination to delist the Company's common stock, at which point the Company will have an opportunity to appeal the delisting determination to a hearings panel.

The Company intends to monitor the closing bid price of its common stock and will consider implementing available options to regain compliance with the minimum bid price requirement under the Nasdaq Listing Rules.

Information Statement on Schedule 14C

On January 4, 2023, the Company filed with the SEC a definitive information statement on Schedule 14C (the "14C"). The 14C relates to the notice to stockholders concerning the approval by written consent of stockholders holding a majority of the Company's issued and outstanding voting securities (the "Majority Stockholders") of the effectuation of the transactions provided for in each exchange offer and amendment entered into on November 14, 2022 by the Company (the "Exchange Offers and Amendments") with CVI and Hudson Bay, including but not limited to the following amendments to the senior secured convertible notes, dated as of December 14, 2021, issued by the Company to CVI and Hudson (the "Notes"):

(i) the definition of Conversion Price (as defined in the Notes) (the "Conversion Price") shall be amended such that, as to the first \$1,000,000 of principal amount of each of the Notes converted after the date that shareholder approval is obtained, the Conversion Price shall be the lower of (i) the Conversion Price in effect at such time and (ii) 82.0% of the lowest VWAP (as defined in Notes) during the five trading days immediately prior to the applicable conversion date (the "Adjusted Conversion Price"), provided, however, that the portion of the first \$1,000,000 of principal amount of each of the Notes that is converted pursuant to a voluntary conversion by the holders of each of the Notes shall reduce each of the remaining Amortization Redemption Amounts proportionately on a pro rata basis;

(ii) Each of the holders of the Notes may accelerate up to four Amortization Redemption Amounts (as defined in the Notes) provided that such holder agrees to accept shares of Common Stock instead of cash for such payments at a price per share equal to the Adjusted Conversion Price as calculated on the immediately preceding Amortization Date (as defined in the Notes)); and

(iii) upon mutual consent by the Company and each of the holders of the Notes, such holder may elect to utilize the Adjusted Conversion Price for the balance of the Notes.

Accordingly, the Majority Stockholders approved, by written consent, the issuance of the total number of shares of Company common stock of the Company necessary to effectuate the Exchange Offers and Amendments, which is currently an indeterminate number due to the methodology of the conversion pricing as described herein and in the Exchange Offers and Amendments.

Stockholder approval of the Exchange Offers and Amendments was required by Rule 5635(d) of The Nasdaq Stock Market, which requires stockholder approval prior to a 20% issuance of securities at a price that is less than the Minimum Price (as defined in the information statement) in a transaction other than a public offering. A 20% issuance is a transaction, other than a public offering, involving the sale, issuance or potential issuance by the company of common stock (or securities convertible into or exercisable for common stock), which alone or together with sales by officers, directors or substantial stockholders of the company, equals 20% or more of the common stock or 20% or more of the voting power outstanding before the issuance.

Such approval and consent by the Majority Stockholders constitute the approval and consent of a majority of the total number of shares of the Company's outstanding voting stock and is sufficient under the Nevada Revised Statutes, the Company's Amended and Restated Articles of Incorporation, as amended, and the Company's Bylaws to approve the Exchange Offers and Amendments. Accordingly, the actions will not be submitted to the other stockholders of the Company for a vote, and the information statement has been furnished to such other stockholders to provide them with certain information concerning the actions in accordance with the requirements of the Exchange Act, and the regulations promulgated under the Exchange Act, including Regulation 14C.

Jefferson Street Letter Agreement

As previously disclosed, on June 1, 2022, the Company and Jefferson agreed to extend the maturity date of the Jefferson Note to November 29, 2022 with a principal amount face value of \$937,500 and interest rate that shall accrue at a rate equal to 1% per annum. On December 2, 2022, the Company made a partial payment of \$199,980 toward principal and interest owed on the Jefferson Note, leaving a balance of \$746,875. On December 13, 2022, the Company, Terra and Jefferson entered into a letter agreement. Pursuant to the terms of the letter agreement, Jefferson agreed to forbear from entering an event of default under the terms of the Jefferson Note and related transaction documents until December 29, 2022. In addition, the parties agreed to release the Collateral Shares to Jefferson. Effective February 16, 2023, the Jefferson Note has been paid in full.

Nasdaq Notification—Delinquent Form 10-K and Form 10-Q Filings

On December 15, 2022, the Company received a notification letter (the “December Notification Letter”) from Nasdaq that it is not in compliance with Nasdaq’s continued listing rules due to its failure to timely file its Annual Report on Form 10-K for the fiscal year ended August 31, 2022 (the “2022 10-K”). On January 25, 2023, the Company received a notification letter (the “January Notification Letter”) from Nasdaq advising the Company that it was not in compliance with Nasdaq’s continued listing requirements as a result of its failure to timely file the 2022 10-K and its Quarterly Report on Form 10-Q for the fiscal quarter ended November 30, 2022 (the “Form 10-Q”). On February 13, 2023, the Company submitted a plan to regain compliance with Nasdaq’s continued listing rules with the respect to the Form 10-K and the Form 10-Q. If Nasdaq accepts the Company’s plan, then Nasdaq may grant an exception of up to 180 calendar days from the due date of the Form 10-K, or until June 12, 2023, to regain compliance.

SwagCheck Agreement

On December 23, 2022, the Company, SwagCheck Inc. (“SWAG”), and all SWAG shareholders (collectively, the “SWAG Shareholders”) entered into that certain Share Purchase Agreement (the “SWAG Agreement”). Pursuant to the terms of the SWAG Agreement, the Company agreed to purchase, and the SWAG Shareholders agreed to sell to the Company, 100% of the outstanding shares of SWAG in exchange for \$1.00 (the “SWAG Purchase”). SWAG holds a specific right of purchase of a precious gem collection (the “Gems”) as provided for in an agreement between SWAG and a Court-appointed Successor Receiver for the United States District Court for the Central District of California (the “Receiver”).

The parties have made customary representations, warranties and covenants in the SWAG Agreement. In addition to certain customary closing conditions, the obligations of SWAG and the SWAG Shareholders to consummate the closing of the SWAG Purchase are subject to the satisfaction (or waiver by any of SWAG or the SWAG Shareholders), at or before the closing date, of certain conditions, including that (i) the Company will have received a financing commitment of at least \$90 million by December 27, 2022, with a closing date no later than December 30, 2022, (ii) \$60 million will be distributed directly to a Receiver for the purchase of the Gems by SWAG, and (iii) \$30 million is a Mark-up to be distributed for the benefit of the outgoing SWAG Shareholders.

In addition to certain customary closing conditions in the SWAG Agreement, the obligations of SWAG and the SWAG Shareholders to consummate the closing of the SWAG Purchase were subject to the satisfaction (or waiver by any of SWAG or the SWAG Shareholders), at or before the closing date, of certain conditions, including that (i) the Company will have provided SWAG with a binding letter of intent (a “LOI”) by a competent financing party for financing in the amount of at least \$90 million by December 27, 2022 with a closing date no later than December 30, 2022, (ii) \$60 million will be distributed directly to the Receiver for the purchase of the Gems by SWAG, and (iii) \$30 million is a mark-up to be distributed for the benefit of the outgoing SWAG Shareholders.

On December 30, 2022, the Company, SWAG and the SWAG Shareholders entered into Amendment No. 1 to the SWAG Agreement (the “SWAG Amendment”). Pursuant to the terms of the SWAG Amendment, the parties agreed as follows:

- The closing of the SWAG Purchase will occur no later than January 10, 2023, with all contemplated extensions being subject to the Receiver’s stipulations, conditions, and limitations.
- The condition for the Company to provide SWAG with a binding LOI has been deleted.
- A total of \$92 million will be distributed as follows: (i) \$60 million will be distributed to the Receiver for the purchase of the Gems by SWAG, and (ii) a \$32 million mark-up will be distributed directly for the benefit of the outgoing SWAG Shareholders.

Although the SWAG Agreement has not yet closed, the parties continue to work together with the intention of closing the transaction. Following the closing of SWAG Purchase, SWAG will be a wholly owned subsidiary of the Company and will own title to the Gems, which the Company intends to either collateralize or sell to raise capital.

Mast Hill Securities Purchase Agreement & Note

On February 23, 2023, the Company entered into a securities purchase agreement (the “Mast Hill SPA”) with Mast Hill Fund, L.P. (“Mast Hill”), pursuant to which the Company issued an 12% unsecured promissory note (the “Mast Hill Note”) with a maturity date of February 23, 2024 (the “Mast Hill Maturity Date”), in the principal sum of \$573,000 (the “Mast Hill Principal Sum”). In addition, the Company issued a common stock purchase warrant for the purchase of up to 1,000,000 shares of the Company’s common stock (the “Mast Hill Warrant”) to Mast Hill pursuant to the Mast Hill SPA. Pursuant to the terms of the Mast Hill Note, the Company agreed to pay the Mast Hill Principal Sum to Mast Hill and to pay interest on the principal balance at the rate of 12% per annum. The Mast Hill Note carries an OID of \$57,300. Accordingly, on the closing date, Mast Hill paid the purchase price of \$515,700 in exchange for the Mast Hill Note and the Mast Hill Warrant. Mast Hill may convert the Mast Hill Note into shares of the Company’s common stock at any time at a conversion price equal to \$0.175 per share, subject to adjustment as provided in the Mast Hill Note (including but not limited to certain price protection provisions in case of future dilutive offerings, subject to certain customary exempt transactions) as well as certain beneficial ownership limitations.

Pursuant to the terms of the Mast Hill Note, the Company agreed to pay accrued interest monthly as well as the Mast Hill Principal Sum as follows: (i) \$57,300 on August 23, 2023, (ii) 57,300 on September 23, 2023, (iii) \$57,300 on October 23, 2023, (iv) \$100,000 on November 23, 2023, (v) \$100,000 on December 23, 2023, (vi) \$100,000 on January 23, 2023, and (vii) all remaining amounts owed under the Mast Hill Note on the Mast Hill Maturity Date (each of the aforementioned payments are an “Amortization Payment”). If the Company fails to make any Amortization Payment, then Mast Hill shall have the right to convert the amount of such respective Amortization Payment into shares of common stock as provided in the Mast Hill Note at the lesser of (i) the then applicable conversion price under the Mast Hill Note, or (ii) 85% of the lowest VWAP of the Company’s common stock on any trading day during the five trading days prior to the respective conversion date.

The Company may prepay the Mast Hill Note at any time prior to the date that an Event of Default (as defined in the Mast Hill Note) occurs at an amount equal to the Mast Hill Principal Sum then outstanding plus accrued and unpaid interest (no prepayment premium) plus \$750 for administrative fees. The Mast Hill Note contains customary events of default relating to, among other things, payment defaults, breach of representations and warranties, and breach of provisions of the Mast Hill Note, Mast Hill Warrant, or Mast Hill SPA.

Upon the occurrence of any Event of Default, the Mast Hill Note shall become immediately due and payable and the Company shall pay to Mast Hill, in full satisfaction of its obligations hereunder, an amount equal to the Mast Hill Principal Sum then outstanding plus accrued interest multiplied by 125%. Upon the occurrence of an Event of Default, additional interest will accrue from the date of the Event of Default at the rate equal to the lower of 16% per annum or the highest rate permitted by law.

The Mast Hill Warrant is exercisable for five years from February 23, 2023, at an exercise price of \$0.25 per share, subject to adjustment as provided in the Mast Hill Warrant. The Mast Hill Warrant also contains certain cashless exercise provisions as well as price protection provisions providing for adjustment of the number of shares of the Company's common stock issuable upon exercise of the Mast Hill Warrant and the exercise price in case of future dilutive offerings, subject to certain customary exempt transactions.

As additional consideration for the purchase of the Mast Hill Note and pursuant to the terms of the Mast Hill SPA, on February 24, 2023, the Company issued 955,000 restricted shares of common stock (the "Commitment Shares") to Mast Hill at closing. The Mast Hill SPA contains customary representations, warranties, and covenants of the Company, including, among other things and subject to certain exceptions, piggy-back registration rights with respect to the Commitment Shares as well as the shares of common stock underlying the Mast Hill Note and the Mast Hill Warrant. In addition to the beneficial ownership limitations provided in the Mast Hill Note and the Mast Hill Warrant, the sum of the number of shares of common stock that may be issued under the Mast Hill SPA (including the Commitment Shares), the Mast Hill Note, and the Mast Hill Warrant shall be limited to 19.99% of the issued and outstanding common stock on the closing date (equal to 27,720,448 shares) as further described in the Mast Hill SPA, unless shareholder approval to exceed such limitation is obtained by the Company.

On March 23, 2023, the Company made a monthly interest-only payment to Mast Hill in the amount of \$5,086.

March 2023 FirstFire Securities Purchase Agreement, Note & Warrant

On March 21, 2023, the Company entered into a securities purchase agreement (the "SPA") with FirstFire, pursuant to which the Company issued an 12% unsecured promissory note (the "2023 FirstFire Note") with a maturity date of March 21, 2024, in the principal sum of \$573,000 (the "Principal Sum"). In addition, the Company issued a common stock purchase warrant for the purchase of up to 1,000,000 shares of the Company's common stock (the "2023 FirstFire Warrant") to FirstFire pursuant to the SPA. Pursuant to the terms of the 2023 FirstFire Note, the Company agreed to pay the Principal Sum to FirstFire and to pay interest on the principal balance at the rate of 12% per annum. The 2023 FirstFire Note carries an OID of \$57,300. Accordingly, on the closing date, FirstFire paid the purchase price of \$515,700 in exchange for the 2023 FirstFire Note and the 2023 FirstFire Warrant. FirstFire may convert the 2023 FirstFire Note into the Company's common stock at any time at a conversion price equal to \$0.175 per share, subject to adjustment as provided in the 2023 FirstFire Note (including but not limited to certain price protection provisions in case of future dilutive offerings, subject to certain customary exempt transactions) as well as certain beneficial ownership limitations.

Pursuant to the terms of the 2023 FirstFire Note, the Company agreed to pay accrued interest monthly as well as the Principal Sum as follows: (i) \$57,300 on September 21, 2023, (ii) 57,300 on October 21, 2023, (iii) \$57,300 on November 21, 2023, (iv) \$100,000 on December 21, 2023, (v) \$100,000 on January 21, 2024, (vi) \$100,000 on February 21, 2024, and (vii) all remaining amounts owed under the 2023 FirstFire Note on the maturity date (each of the aforementioned payments are an "Amortization Payment"). If the Company fails to make any Amortization Payment, then FirstFire shall have the right to convert the amount of such respective Amortization Payment into shares of common stock as provided in the 2023 FirstFire Note at the lesser of (i) the then applicable conversion price under the 2023 FirstFire Note or (ii) 85% of the lowest VWAP of the Company's common stock on any trading day during the five trading days prior to the respective conversion date.

The Company may prepay the 2023 FirstFire Note at any time prior to the date that an event of default (as provided in the 2023 FirstFire Note) occurs at an amount equal to the Principal Sum then outstanding plus accrued and unpaid interest (no prepayment premium) plus \$750 for administrative fees. The 2023 FirstFire Note contains customary events of default relating to, among other things, payment defaults, breach of representations and warranties, and breach of provisions of the 2023 FirstFire Note, the 2023 FirstFire Warrant, or SPA.

Upon the occurrence of any event of default, the 2023 FirstFire Note shall become immediately due and payable and the Company shall pay to FirstFire, in full satisfaction of its obligations hereunder, an amount equal to the Principal Sum then outstanding plus accrued interest multiplied by 125% (the "Default Amount"). Upon the occurrence of an Event of Default, additional interest will accrue from the date of the Event of Default at the rate equal to the lower of 16% per annum or the highest rate permitted by law.

The 2023 FirstFire Warrant is exercisable for five years from March 21, 2023, at an exercise price of \$0.25 per share, subject to adjustment as provided in the 2023 FirstFire Warrant. The 2023 FirstFire Warrant also contains certain cashless exercise provisions as well as price protection provisions providing for adjustment of the number of shares of common stock issuable upon exercise of the 2023 FirstFire Warrants and the exercise price in case of future dilutive offerings, subject to certain customary exempt transactions.

As additional consideration for the purchase of the 2023 FirstFire Note and pursuant to the terms of the SPA, on March 22, 2023, the Company issued 955,000 restricted shares of the Company's common stock (the "Commitment Shares") to FirstFire at closing. The SPA contains customary representations, warranties, and covenants of the Company, including, among other things and subject to certain exceptions, piggy-back registration rights with respect to the Commitment Shares as well as the shares of common stock underlying the 2023 FirstFire Note and the 2023 FirstFire Warrant. In addition to the beneficial ownership limitations provided in the 2023 FirstFire Note and the 2023 FirstFire Warrant, the sum of the number of shares of common stock that may be issued under the SPA (including the Commitment Shares), the 2023 FirstFire Note, and 2023 FirstFire Warrant shall be limited to 10,000,000 shares as further described in the SPA, unless shareholder approval to exceed such limitation is obtained by the Company.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company's Chief Executive Officer and Principal Financial Officer have evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of August 31, 2022. Based upon such evaluation, the Chief Executive Officer and Principal Financial Officer have concluded that, as of August 31, 2022, the Company's disclosure controls and procedures were not effective as required under Rules 13a-15(e) and 15d-15(e) under the Exchange Act.

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) of the Exchange Act) of the Company. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

The Company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

Management, under the supervision of the Company's Chief Executive Officer and Principal Financial Officer, conducted an evaluation of the effectiveness of internal control over financial reporting based on the framework in *2013 Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that the Company's internal control over financial reporting was not effective as of August 31, 2022 under the criteria set forth in the *2013 Internal Control - Integrated Framework*.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. Management has determined that a material weakness exists due to a lack of segregation of duties. Currently, management contracts with an outside certified public accountant to assist the Company with preparation of its filings required pursuant to the Exchange Act.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the fiscal quarter ended August 31, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

As previously disclosed, on June 1, 2022, the Company and Jefferson agreed to extend the maturity date of the Jefferson Note to November 29, 2022 with a principal amount face value of \$937,500 and interest rate that shall accrue at a rate equal to 1% per annum. On December 2, 2022, the Company made a partial payment of \$199,980 toward principal and interest owed on the Jefferson Note, leaving a balance of \$746,875. On December 13, 2022, the Company, Terra and Jefferson entered into a letter agreement. Pursuant to the terms of the letter agreement, Jefferson agreed to forbear from entering an event of default under the terms of the Jefferson Note and related transaction documents until December 29, 2022. In addition, the parties agreed to release the Collateral Shares to Jefferson. Effective February 16, 2023, the Jefferson Note has been paid in full.

The letter agreement contains customary representations, warranties and covenants. The foregoing summary of the letter agreement is qualified in its entirety by reference to the full text of the letter agreement, a copy of which is filed herewith as Exhibit 10.49 to this Annual Report on Form 10-K and incorporated herein by reference.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Set forth below is certain information concerning the directors and executive officers of the Company.

Name	Age	Position
Robert Mattacchione	54	Chairman of the Board and Chief Executive Officer of Novo Integrated Sciences, Inc.
Christopher David	64	Chief Operating Officer, President, and Director of Novo Integrated Sciences, Inc.
James Zsebok	56	Principal Financial Officer of Novo Integrated Sciences, Inc.
Sarfaraz Ali	47	Director of Novo Integrated Sciences, Inc.
Alex Flesias	40	Director of Novo Integrated Sciences, Inc.
Michael Pope	42	Director of Novo Integrated Sciences, Inc.

Biographies

Robert Mattacchione. Mr. Mattacchione has served as the Company's Chairman of the Board and Chief Executive Officer since October 2018. He is a co-founder and the Chairman of Novo Healthnet Limited, which was founded in September 2013 and acquired by the Company in May 2017.

Mr. Mattacchione brings knowledge and experience leading the development of operational business interests worldwide, including mining exploration and production of natural resources in Europe and South America, pharmaceutical product development and manufacturing in Africa and Europe, and renewable energy development and production in South America. Mr. Mattacchione provides the Company with deep experience in formulating adaptive strategies, analyzing processes and engaging highly qualified personnel. Mr. Mattacchione does not hold, and has not previously held, any directorships in any reporting companies.

On June 1, 2012, the Financial Services Commission of Ontario entered a cease-and-desist order against Mr. Mattacchione and a company with which Mr. Mattacchione was affiliated. Pursuant to the order, Mr. Mattacchione was required to cease and desist from making and/or publishing any statements to the effect that an affiliate of Mr. Mattacchione can arrange for, secure or facilitate insurance coverage until a contract or insurance providing for such coverage has been put in place in compliance with applicable laws and regulations. The order does not prohibit Mr. Mattacchione or his affiliate from conducting business, or continuing in business or other operations, but requires that a specific contract be put in place prior to proceeding with certain marketing. Following a hearing, the Superintendent did not impose penalties or make any findings of wrongdoing against Mr. Mattacchione. Mr. Mattacchione asserted that he had not approved any marketing for release and when he saw that the same had been distributed, immediately required that it cease, even prior to the Superintendent's action.

Christopher M. David. In August 2014, Mr. David was appointed as the Company's Secretary, Treasurer and Board Director. In May 2015, Mr. David was appointed as the Company's President and resigned as the Company's Secretary and Treasurer. In June 2021, Mr. David was appointed as the Company's Chief Operating Officer.

Mr. David brings knowledge and experience based on his past 25 years as a private investor in both private and public companies. In addition, Mr. David has been an advisor on operational, internal control, marketing and finance matters to numerous small and medium size businesses in the pharmaceutical, biotech, television-movie media, real-estate, technology and industrial commodity industries. Mr. David had been a shareholder of the Company for over 6 years prior to assuming his duties as the Company's Secretary, Treasurer and Board Director in August 2014.

Mr. David does not hold, and has not previously held, any directorships in any reporting companies. Prior to Mr. David professional business career, he retired from the U.S. Navy officer ranks in 1994. Mr. David is a 1989 graduate of University of Washington with a B.A. degree in Political Science.

James Zsebok. Mr. Zsebok has served as the Company's Principal Financial Officer since June 2021 managing all accounting and finance functions. In addition, Mr. Zsebok serves as NHL's Vice-President, Finance. Mr. Zsebok brings over 29 years of corporate finance and operational experience, including a 16-year tenure, from 1998 to 2014, holding the position of CFO, Director of Mergers and Acquisitions, and Treasurer at Flex-N-Gate, a provider of parts and systems for the automotive industry. From 1988 to 1998, Mr. Zsebok held various accounting and finance related positions at Imperial Chemical Industries, Siemens Automotive, Cardon, PLC, and TRIAM Automotive, Inc. In 2014, Mr. Zsebok founded RTZ Consulting Group, which provides fractional CFO services, as well as M&A and debt-equity advisory services.

Mr. Zsebok does not hold, and has not previously held, any directorships in any reporting companies. In 1988, Mr. Zsebok graduated with a B.A., Economics (Honors) from Trent University in Peterborough, Canada.

Sarfraz Ali. Mr. Ali brings over 17 years of knowledge and experience in the ownership and development of operational business enterprises worldwide, including supermarket chains, bakery chain stores, ride-share services, and clean water products in Bangladesh, commercial real estate and blockchain technology implementation in Canada, private equity investment and financing in Dubai, and international trade of consumer goods based primarily in Thailand.

Mr. Ali provides the Company with proven expertise in delivering system and operational efficiency while managing aggressive, yet sustainable growth. As a successful business owner, he brings the Company a wealth of knowledge in areas related to formulating adaptive strategies, supply-chain management, retail marketing, product manufacturing, B2B and B2C e-commerce strategies and implementation, and product distribution worldwide. Since 2006, Mr. Ali has served as the CEO and Executive Director of Khulshi Mart which operates supermarket stores and other private enterprises in Bangladesh. Since 2010, Mr. Ali has served as the CEO and Executive Director of K Bakery Outlets, a chain of fresh food stores operating in Bangladesh. In addition, since 2010, Mr. Ali has been a board member of Grameen Solutions, Ltd, the flagship technology company of the Grameen family of organizations founded in 1999 by Dr. Muhammad Yunus, a recipient of the Nobel Peace Prize in 2006, the U.S. Presidential Medal of Freedom in 2009, and the Congressional Gold Medal in 2010 for pioneering the concepts of microcredit and microfinance. In addition, Mr. Ali holds board of director positions in private companies located in the Middle East and South Asia. In 2002, Mr. Ali earned his B.S. degree in finance and accounting from Indiana University of Pennsylvania. Mr. Ali holds dual citizenship of both Bangladesh and Canada.

Alex Flesias, B.A., LLB. Mr. Flesias has been a partner at Hammond Flesias Law Firm in Toronto, Canada since 2007. Mr. Flesias manages a general commercial litigation practice with a strong focus on construction and real estate related matters. He has extensive experience litigating complex disputes involving financial institutions, as well as landlord-tenant matters. In 1997, Mr. Flesias graduated with an Honours Bachelor of Arts Degree in Political Science and History from the University of Toronto, followed by earning his Master of Arts degree in Political Science at York University in 1998. Mr. Flesias obtained his LLB from Osgoode Hall Law School in 2000. As a lawyer with vast exposure to the business world, Mr. Flesias provides the Company with a unique diversity of thought and background integral to making well informed decisions and judgments.

Michael Pope. Mr. Pope serves as the CEO and Chairman at Boxlight Corporation (Nasdaq: BOXL), a global provider of interactive technology solutions, where he has been an executive since July 2015 and director since September 2014. Mr. Pope has led Boxlight through nine acquisitions from 2016 to 2020, a Nasdaq IPO in November 2017, and over \$100 million in debt and equity fundraising. He previously served as Managing Director at Vert Capital, a private equity and advisory firm from October 2011 to October 2016, managing portfolio holdings in the education, consumer products, technology and digital media sectors. Prior to joining Vert Capital, from May 2008 to October 2011, Mr. Pope was Chief Financial Officer and Chief Operating Officer for the Taylor Family in Salt Lake City, managing family investment holdings in consumer products, professional services, real estate and education. Mr. Pope also held positions including senior SEC reporting at Omniture (previously listed on Nasdaq and acquired by Adobe (Nasdaq:ADBE) in 2009) and Assurance Associate at Grant Thornton. He holds an active CPA license and serves on the boards of various organizations. Mr. Pope has served as a member of the board of directors of Focus Universal, Inc. (OTCQB: FCUV) ("Focus Universal") since June 2018. Focus Universal is a universal smart instrument developer and manufacturer specializing in the development and commercialization of novel and proprietary universal smart technologies and instruments. In addition, Mr. Pope served as a director of DS Healthcare Group, Inc. ("DS Healthcare"), a developer of proprietary technologies and products for hair care and personal care needs, from April 2015 to April 2016. DS Healthcare was previously registered under Section 12(g) of the Securities Exchange Act of 1934, as amended. Mr. Pope earned his undergraduate and graduate degrees in accounting from Brigham Young University with academic honors. Our Board believes Mr. Pope's broad and extensive finance and operations experience uniquely position him to provide a wide array of insight and knowledge as the Company pursues its next phase of growth and expansion.

Involvement in Certain Legal Proceedings

Except as otherwise provided above as to Robert Mattacchione, no director, executive officer, significant employee, or control person of the Company has been involved in any legal or regulatory proceeding listed in Item 401(f) of Regulation S-K in the past 10 years.

Board Composition

Our business and affairs are managed under the direction of our Board of Directors. The number of directors is fixed by our Board of Directors, subject to our articles of incorporation and our bylaws. Currently, our Board of Directors consists of five directors: Messrs. Mattacchione, David, Flesias, Pope and Ali.

Director Independence

Our Board of Directors has undertaken a review of the independence of each director, under the Nasdaq listing rules. Based on information provided by each director concerning his or her background, employment and affiliations, our Board of Directors has determined that (i) Messrs. Pope, Flesias, and Ali do not have a material relationship with us that could compromise his ability to exercise independent judgment in carrying out his responsibilities and that each of these directors is “independent” as that term is defined under the listing standards of Nasdaq, and (ii) Messrs. Mattacchione and David are not independent directors. Accordingly, a majority of our Board of Directors is independent.

Board Leadership Structure and Board's Role in Risk Oversight

Our Board of Directors has a Chairman, Mr. Mattacchione. The Chairman has authority, among other things, to preside over Board meetings and set the agenda for Board meetings. Accordingly, the Chairman has substantial ability to shape the work of our Board of Directors. We believe that separation of the roles of Chairman and Chief Executive Officer is not necessary at this time to ensure appropriate oversight by the Board of Directors of our business and affairs. However, no single leadership model is right for all companies and at all times. The Board of Directors recognizes that depending on the circumstances, other leadership models, such as the appointment of a lead independent director, might be appropriate. Accordingly, the Board of Directors may periodically review its leadership structure. In addition, the Board of Directors will hold executive sessions in which only independent directors are present.

Our Board of Directors is generally responsible for the oversight of corporate risk in its review and deliberations relating to our activities. Our principal source of risk falls into two categories, financial and product commercialization. The audit committee will oversee management of financial risks; our Board of Directors regularly reviews information regarding our cash position, liquidity and operations, as well as the risks associated with each. The Board of Directors regularly reviews plans, results and potential risks related to our product development and commercialization efforts. Our compensation committee is expected to oversee risk management as it relates to our compensation plans, policies and practices for all employees including executives and directors, particularly whether our compensation programs may create incentives for our employees to take excessive or inappropriate risks which could have a material adverse effect on us.

Board Committees

Our Board of Directors has established three standing committees—the audit committee, compensation committee, and nominating and corporate governance committee—each of which operates under a charter that has been approved by our Board of Directors. We have appointed persons to the Board of Directors and committees of the Board as required meeting the corporate governance requirements of the Nasdaq Listing Rules.

Audit Committee

We have an audit committee comprised of three independent directors: Messrs. Pope, Ali and Flesias. Mr. Pope serves as Chairman of the audit committee. Mr. Pope satisfies the definition of “audit committee financial expert” within the meaning of SEC regulations and the Nasdaq listing rules. In making a determination on which member will qualify as a financial expert, our Board of Directors considered the formal education and nature and scope of such members’ previous experience.

Our audit committee is responsible for, among other things:

- To oversee our accounting and financial reporting and disclosure processes and the audit of our financial statements.
- To select and retain an independent registered public accounting firm to act as our independent auditors.
- To review with management, the internal audit department and our independent auditors the adequacy and effectiveness of our financial reporting processes, internal control over financial reporting and disclosure controls and procedures, including any significant deficiencies or material weaknesses.
- To review and discuss with our independent auditors and management our annual audited financial statements (including the related notes), the form of audit opinion to be issued by the auditors on the financial statements and the disclosure under "Management's Discussion and Analysis of Financial Condition and Results of Operations" to be included in our annual report on Form 10-K.
- To review and approve the functions of our accounting department and approve the hiring or dismissal of the Chief Financial Officer, or such person as may, from time to time, be delegated such internal audit function by the Board.
- To review and discuss with management policies and guidelines to govern the process by which management assesses and manages our risks.
- To establish and oversee procedures for the receipt, retention and treatment of complaints received by us regarding accounting, internal accounting controls or auditing matters and the confidential, anonymous submission by Company employees of concerns regarding questionable accounting or auditing matters.
- To review, approve and oversee any transaction between us and any related person and any other potential conflict of interest situations.
- To meet at least four times a year to fulfill its responsibilities.
- To review the audit committee charter at least annually and recommend any proposed changes to the Board for approval.

Compensation Committee

We have a compensation committee comprised of three independent directors: Messrs. Ali, Pope and Flesias. Mr. Ali serves as Chair of the compensation committee.

Our compensation committee assists our Board of Directors in the discharge of its responsibilities relating to the compensation of our executive officers. Our compensation committee is responsible for, among other things:

- To review and approve the compensation of the Chief Executive Officer and to approve the compensation of all other executive officers.
- To review, and approve and, when appropriate, recommend to the Board for approval, any employment agreements and any severance arrangements or plans, including any benefits to be provided in connection with a change in control, for the CEO and other executive officers, which includes the ability to adopt, amend and terminate such agreements, arrangements or plans.
- To review our incentive compensation arrangements.
- To review and recommend to the Board for approval the frequency with which we will conduct Say on Pay Votes.
- To review director compensation for service on the Board and Board committees at least once a year and to recommend any changes to the Board.
- To meet at least two times a year.
- To review the compensation committee charter at least annually and recommend any proposed changes to the Board for approval.

Nominating and Corporate Governance Committee

We have a nominating and corporate governance committee comprised of three independent directors: Messrs. Flesias, Ali and Pope. Mr. Flesias serves as Chair of the nominating and corporate governance committee. Our nominating and corporate governance committee is responsible for, among other things:

- To determine the qualifications, qualities, skills, and other expertise required to be a director and to develop, and recommend to the Board for its approval, criteria to be considered in selecting nominees for director.
- To select and approve the nominees for director to be submitted to a stockholder vote at the annual meeting of stockholders.
- To review the Board's committee structure and composition and to appoint directors to serve as members of each committee and committee chairmen.
- To develop and recommend to the Board for approval standards for determining whether a director has a relationship with us that would impair its independence.
- To review and discuss with management the disclosure regarding the operations of the nominating and corporate governance committee and director independence, and to recommend that this disclosure be included in our proxy statement or annual report on Form 10-K, as applicable.
- To monitor compliance with our Code of Ethics and Business Conduct (the "Code of Ethics"), to investigate any alleged breach or violation of the Code of Ethics and to enforce the provisions of the Code of Ethics.
- To meet at least two times a year.
- To review the nominating and corporate governance committee charter at least annually and recommend any proposed changes to the Board for approval.

Procedures for Contacting the Board

The Board has established a process for stockholders and other interested parties to send written communications to the Board, the independent directors, a particular committee or to individual directors, as applicable. Such communications should be sent by U.S. mail addressed to:

Novo Integrated Sciences, Inc. Board of Directors
c/o Novo Integrated Sciences, Inc.
Attention: Corporate Secretary
11120 NE 2nd Street, Suite 100
Bellevue, WA 98004

The Board has instructed the Corporate Secretary to promptly forward all communications so received to the full Board, the independent directors or the individual Board member(s) specifically addressed in the communication. Comments or questions regarding our accounting, internal controls or auditing matters, our compensation and benefit programs, or the nomination of directors and other corporate governance matters will remain with the full Board.

Depending on the subject matter, the Company's Corporate Secretary will:

- Forward the communication to the director or directors to whom it is addressed;
- Attempt to handle the inquiry directly, for example, where it is a request for information about our Company or if it is a stock-related matter; or
- Not forward the communication if it is primarily commercial in nature or if it relates to a topic that is not relevant to the Board or a particular committee or is otherwise improper.

Procedures for Recommending, Nominating and Evaluating Director Candidates

Recommending Director Candidates for Nomination by the Board

The Board will consider director candidates recommended by stockholders. A stockholder who wishes to recommend a director candidate for nomination by the Board at an annual meeting of stockholders or for vacancies of the Board that arise between annual meetings must provide the Board with sufficient written documentation to permit a determination by the Board whether such candidate meets the required and desired director selection criteria set forth in our bylaws. Such documentation and the name of the director candidate should be sent by U.S. mail to:

Novo Integrated Sciences, Inc. Board of Directors
c/o Novo Integrated Sciences, Inc.
Attention: Corporate Secretary
11120 NE 2nd Street, Suite 100
Bellevue, WA 98004

Nominating Director Candidates

For director nominations to be properly brought before an annual meeting of stockholders by a stockholder, the stockholder must give timely notice in proper written form to the Secretary, consistent with the Company's bylaws.

Evaluating Director Candidates

The Board has no formal guidelines or policy with regard to the consideration of any director candidates recommended by shareholders. The nominating and corporate governance committee will consider several factors when evaluating the appropriate characteristics of candidates for service as a director. The nominating and corporate governance committee initially evaluates a prospective nominee based on his or her resume and other background information that has been provided to the committee. At a minimum, director candidates must demonstrate high standards of ethics, integrity, independence, sound judgment, strength of character, and meaningful experience and skills in business or other appropriate endeavors. In addition to these minimum qualifications, the nominating and corporate governance committee considers other factors it deems appropriate based on the current needs and desires of the Board, including specific business and professional experience that is relevant to the Board's needs, including, but not limited to, Board diversity. A member of the nominating and corporate governance committee will contact, for further review, those candidates who the committee believes are qualified, who may fulfill a specific Board need and who would otherwise best make a contribution to the Board. The nominating and corporate governance committee is responsible for conducting, with the assistance of the Corporate Secretary, and subject to applicable law, any inquiries into the background and qualifications of the candidate. Based on the information the committee learns during this process, it determines which nominee(s) to submit for election. The committee uses a comparable process for evaluating all director candidates, regardless of the source of the recommendation.

The nominating and corporate governance committee is authorized to use, as it deems appropriate or necessary, an outside consultant to identify and screen potential director candidates. No outside consultants were used during the fiscal year ended August 31, 2022 to identify or screen potential director candidates. The nominating and corporate governance committee will reassess the qualifications of a current director, including the director's attendance and contributions at Board and committee meetings, prior to recommending a director for reelection.

CODE OF ETHICS

We have adopted a code of ethics meeting the requirements of Section 406 of the Sarbanes-Oxley Act of 2002. We believe our code of ethics is reasonably designed to deter wrongdoing and promote honest and ethical conduct; provide full, fair, accurate, timely and understandable disclosure in public reports; comply with applicable laws; ensure prompt internal reporting of violations; and provide accountability for adherence to the provisions of the code of ethics.

ITEM 11. EXECUTIVE COMPENSATION

The following table summarizes all compensation earned by Messrs. Mattacchione and David (together, our “Named Executive Officers”).

2022 SUMMARY COMPENSATION TABLE

Name and Principal Position	Fiscal Year Ended August 31,	Salary	Bonus	Stock Awards	Option Awards	All Other Compensation	Total
Robert Mattacchione Chief Executive Officer	2022	\$ 185,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 185,000
	2021	\$ 46,500	\$ 0	\$ 0	\$ 0	\$ 0	\$ 46,500
Christopher David COO-President	2021	\$ 171,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 171,000
	2020	\$ 114,750	\$ 0	\$ 0	\$ 0	\$ 0	\$ 114,750

Robert Mattacchione

On June 18, 2021, the Company entered into an executive agreement (the “June 2021 Mattacchione Agreement”) with GPE Global Holdings Inc., an entity controlled by Robert Mattacchione and through which Mr. Mattacchione will provide services to the Company (“GPE”). Mr. Mattacchione serves as the Company’s Chairman of the Board and Chief Executive Officer, and is the Company’s majority stockholder. Pursuant to the terms of the June 2021 Mattacchione Agreement, Mr. Mattacchione will continue to serve as the Company’s Chief Executive Officer. Mr. Mattacchione also continues to serve as Chairman of the Board. In consideration thereof, the Company agreed to (i) pay Mr. Mattacchione an annual base salary of \$186,000, (ii) pay Mr. Mattacchione a monthly bonus reconciled quarterly and paid as follows: (a) quarterly cash bonuses equal to 10% of positive net income (“PNI”), and (b) PNI will be reconciled within 30 days after the close of the quarter with payments to Mr. Mattacchione made within 45 days of the close of the quarter, and (iii) pay Mr. Mattacchione bonuses based on increases in the Company’s market cap valuation (“MCV”) from the date of the June 2021 Mattacchione Agreement, with the following milestone bonus parameters:

- (a) For each and every \$50,000,000 Company MCV increase sustained for a period of not less than 30 days (the “50M Bonus Event”), Mr. Mattacchione will receive \$1,000,000, or 2% of \$50,000,000, in Company common stock. For the sake of clarity, Mr. Mattacchione will only be issued compensation based on \$50,000,000 MCV increments; there will be no compensation issued for anything above \$50,000,000 until the subsequent \$50,000,000 MCV milestone is achieved. This bonus will be capped at a Company MCV of \$1 billion. The 50M Bonus Event stock will be issued as (i) 50% restricted shares within 30 days of the respective 50M Bonus Event or at a later date as requested by Mr. Mattacchione, and held as an allocation to Mr. Mattacchione, until the requisition date as provided in writing, by Mr. Mattacchione, to the Company, and (ii) 50% registered shares from the Company’s current active incentive plan within 30 days of the respective 50M Bonus Event.
- (b) Upon the Company reaching and sustaining a MCV of \$1 billion for no less than 30 days (the “1B Bonus Event”), Mr. Mattacchione will receive \$50,000,000, or 5% of \$1 billion, in restricted shares of Company common stock. The 1B Bonus Event stock will be issued within 30 days of the 1B Bonus Event or at a later date as requested by Mr. Mattacchione, and held as an allocation to Mr. Mattacchione, until the requisition date as provided in writing, by Mr. Mattacchione, to the Company.
- (c) For each additional \$1 billion MCV, beyond the initial 1B Bonus Event, sustained for a period of no less than 30 days, Mr. Mattacchione will receive \$50,000,000, or 5% of \$1 billion, in restricted shares of the Company’s common stock. This additional 1B Bonus Event Stock, commencing with a \$2 billion MCV and each additional 1B MCV increase, beyond \$2 billion, will be issued within 30 days of the Bonus Event, or at a later date as requested by Mr. Mattacchione, and held as an allocation to Mr. Mattacchione, until the requisition date as provided in writing, by Mr. Mattacchione, to the Company.

The June 2021 Mattacchione Agreement supersedes all prior compensation arrangements between the Company and Mr. Mattacchione.

The Company will be deemed to be in default under the June 2021 Mattacchione Agreement upon the occurrence of any of the following events:

- (a) if the Company shall become insolvent, or bankrupt, or subject to the provisions of the U.S. Bankruptcy Code, or shall go into liquidation, either voluntarily or under an order of a Court of competent jurisdiction, or shall make a general assignment for the benefit of its creditors, or otherwise acknowledge its insolvency; or
- (b) if a liquidator or liquidators or receiver or receivers or a trustee or trustees in bankruptcy, be appointed to the Company, or if its secured creditors take possession of the property of the Company or any substantial or essential part thereof in the sole determination of Mr. Mattacchione; or
- (c) if the Company fails, refuses or neglects to promptly pay any monies owing to Mr. Mattacchione when due under the June 2021 Mattacchione Agreement.

Mr. Mattacchione will be deemed to be in default under the June 2021 Mattacchione Agreement upon the occurrence of any of the following events:

- (a) if Mr. Mattacchione fails, refuses or neglects to promptly perform any material obligations owing to the Company when due under the June 2021 Mattacchione Agreement, and such failure in performance shall continue for 10 business days following notice from the Company unless Mr. Mattacchione shall have commenced within the 10 days following notice and is continuing acceptable measures to remedy the said failure in performance.
- (b) If the performance of Mr. Mattacchione is not to minimum standards as expected by the Board of Directors of the Company.

The term of the June 2021 Mattacchione Agreement will run for an initial term of 36 months. The term may be extended at the end of the initial term if the Company and Mr. Mattacchione mutually agree.

Mr. Mattacchione may terminate the June 2021 Mattacchione Agreement at any time, upon 90 days' written notice to the Company, and receive (i) additional compensation equal to \$1,500,000 in restricted shares of the Company's common stock as consideration for the previous tenure of unpaid service filling the roles and responsibilities as the Company's Chief Executive Officer since October 17, 2018, and (ii) any other compensation earned within the June 2021 Mattacchione Agreement.

Notwithstanding anything in the June 2021 Mattacchione Agreement to the contrary, the Company may terminate Mr. Mattacchione's service for cause for any one of the following reasons: (i) conviction of a felony, any act involving moral turpitude, or a misdemeanor where imprisonment is imposed, (ii) commission of any act of theft, fraud, dishonesty, or falsification of any Company records, (iii) improper disclosure of the Company's confidential or proprietary information, (iv) any action by Mr. Mattacchione which has a detrimental effect on the Company's reputation or business, (v) Mr. Mattacchione's failure or inability to perform any reasonable assigned duties after written notice from the Company thereof, and a reasonable opportunity to cure, such failure or inability, (vi) any breach of the June 2021 Mattacchione Agreement, which breach is not cured within 15 days following written notice of such breach, (vii) a course of conduct amounting to gross incompetence, (viii) chronic and unexcused absenteeism, (ix) unlawful appropriation of a corporate opportunity, or (x) misconduct in connection with the performance of any of Mr. Mattacchione's duties, including, without limitation, misappropriation of funds or property of the Company, securing or attempting to secure personally any profit in connection with any transaction entered into on behalf of the Company, misrepresentation to the Company, or any violation of law or regulations on Company premises or to which the Company is subject. Upon termination of Mr. Mattacchione's services with the Company for cause, the Company shall be under no further obligation to Mr. Mattacchione, except to pay all accrued but unpaid renumeration.

The Company may terminate Mr. Mattacchione's services at any time without cause; provided, however, that Mr. Mattacchione will be entitled to severance pay in the amount of three years renumeration and certain additional compensation as identified in the June 2021 Mattacchione Agreement, but if, and only if, Mr. Mattacchione executes a valid and comprehensive release of any and all claims that Mr. Mattacchione may have against the Company in a form provided by the Company and Mr. Mattacchione executes such form within 30 days of tender.

Christopher David

On August 6, 2020, the Company entered into an employment agreement (the “August 2020 Agreement”) with Mr. David, effective August 5, 2020. Pursuant to the terms of the August 2020 Agreement, Mr. David agreed to serve as the Company’s President. In consideration thereof, the Company agreed to (i) pay Mr. David a monthly salary of \$8,000, and (ii) grant Mr. David a 5-year option to purchase 575,000 shares of the Company’s restricted common stock at an exercise price of \$3.00 per share. The option fully vested on the date of grant and expires on August 6, 2025.

On June 18, 2021, the Company entered into an employment agreement (the “June 2021 David Agreement”) with Mr. David, the Company’s President and a member of the Company’s Board of Directors. Pursuant to the terms of the June 2021 David Agreement, Mr. David agreed to serve as the Company’s President and Chief Operating Officer. In consideration thereof, the Company agreed to (i) pay Mr. David an annual base salary of \$171,000, (ii) pay Mr. David a monthly bonus reconciled quarterly and paid as follows: (a) quarterly cash bonuses equal to 10% of PNI, and (b) PNI will be reconciled within 30 days after the close of the quarter with payments to Mr. David made within 45 days of the close of the quarter, and (iii) pay Mr. David bonuses based on increases in the Company’s MCV from the date of the June 2021 David Agreement, with the following milestone bonus parameters:

- (a) For each and every \$50,000,000 Company MCV increase sustained for a period of not less than 30 days (the “50M Bonus Event”), Mr. David will receive \$500,000, or 1% of \$50,000,000, in Company common stock. For the sake of clarity, Mr. David will only be issued compensation based on \$50,000,000 MCV increments; there will be no compensation issued for anything above \$50,000,000 until the subsequent \$50,000,000 MCV milestone is achieved. This bonus will be capped at a Company MCV of \$1 billion. The 50M Bonus Event stock will be issued as (i) 50% restricted shares within 30 days of the respective 50M Bonus Event or at a later date as requested by Mr. David, and held as an allocation to Mr. David, until the requisition date as provided in writing, by Mr. David, to the Company, and (ii) 50% registered shares from the Company’s current active incentive plan within 30 days of the respective 50M Bonus Event.
- (b) Upon the Company reaching and sustaining a MCV of \$1 billion for no less than 30 days (the “1B Bonus Event”), Mr. David will receive \$20,000,000, or 2% of \$1 billion, in restricted shares of Company common stock. The 1B Bonus Event stock will be issued within 30 days of the 1B Bonus Event or at a later date as requested by Mr. David, and held as an allocation to Mr. David, until the requisition date as provided in writing, by Mr. David, to the Company.
- (c) For each additional \$1 billion MCV, beyond the initial 1B Bonus Event, sustained for a period of no less than 30 days, Mr. David will receive \$20,000,000, or 2% of \$1 billion, in restricted shares of the Company’s common stock. This additional 1B Bonus Event Stock, commencing with a \$2 billion MCV and each additional 1B MCV increase, beyond \$2 billion, will be issued within 30 days of the Bonus Event, or at a later date as requested by Mr. David, and held as an allocation to Mr. David, until the requisition date as provided in writing, by Mr. David, to the Company.

The June 2021 David Agreement supersedes the employment agreement dated August 6, 2020 between the Company and Mr. David.

The Company will be deemed to be in default under the June 2021 David Agreement upon the occurrence of any of the following events:

- (a) if the Company shall become insolvent, or bankrupt, or subject to the provisions of the U.S. Bankruptcy Code, or shall go into Liquidation, either voluntarily or under an order of a Court of competent jurisdiction, or shall make a general assignment for the benefit of its creditors, or otherwise acknowledge its insolvency; or
- (b) if a liquidator or liquidators or receiver or receivers or a trustee or trustees in bankruptcy, be appointed to the Company, or if its secured creditors take possession of the property of the Company or any substantial or essential part thereof in the sole determination of Mr. David; or
- (c) if the Company fails, refuses or neglects promptly pay any monies owing to Mr. David when due under the June 2021 David Agreement.

Mr. David will be deemed to be in default under the June 2021 David Agreement upon the occurrence of any of the following events:

(a) if Mr. David fails, refuses or neglects to promptly perform any material obligations owing to the Company when due under the June 2021 David Agreement, and such failure in performance shall continue for 10 business days following notice from the Company unless Mr. David shall have commenced within the 10 days following notice and is continuing acceptable measures to remedy the said failure in performance.

(b) If the performance of Mr. David is not to minimum standards as expected by the Board of Directors of the Company.

The term of the June 2021 David Agreement will run for an initial term of 36 months. The term may be extended at the end of the initial term if the Company and Mr. David mutually agree.

Mr. David may terminate the June 2021 David Agreement at any time, upon 90 days' written notice to the Company, and receive (i) additional compensation equal to \$300,000 in restricted shares of the Company's common stock as consideration for the discount to market salary Mr. David was paid, from July 12, 2017 through May 31, 2021, filling the roles and responsibilities as the Company's President, and (ii) any other compensation earned within the June 2021 David Agreement.

Notwithstanding anything in the June 2021 David Agreement to the contrary, the Company may terminate Mr. David's employment for cause for any one of the following reasons: (i) conviction of a felony, any act involving moral turpitude, or a misdemeanor where imprisonment is imposed, (ii) commission of any act of theft, fraud, dishonesty, or falsification of any Company records, (iii) improper disclosure of the Company's confidential or proprietary information, (iv) any action by Mr. David which has a detrimental effect on the Company's reputation or business, (v) Mr. David's failure or inability to perform any reasonable assigned duties after written notice from the Company thereof, and a reasonable opportunity to cure, such failure or inability, (vi) any breach of the June 2021 David Agreement, which breach is not cured within 15 days following written notice of such breach, (vii) a course of conduct amounting to gross incompetence, (viii) chronic and unexcused absenteeism, (ix) unlawful appropriation of a corporate opportunity, or (x) misconduct in connection with the performance of any of Mr. David's duties, including, without limitation, misappropriation of funds or property of the Company, securing or attempting to secure personally any profit in connection with any transaction entered into on behalf of the Company, misrepresentation to the Company, or any violation of law or regulations on Company premises or to which the Company is subject. Upon termination of Mr. David's employment with the Company for cause, the Company shall be under no further obligation to Mr. David, except to pay all accrued but unpaid renumeration.

The Company may terminate Mr. David's employment at any time without cause; provided, however, that Mr. David will be entitled to severance pay in the amount of three years renumeration and certain additional compensation as identified in the June 2021 David Agreement, but if, and only if, Mr. David executes a valid and comprehensive release of any and all claims that Mr. David may have against the Company in a form provided by the Company and Mr. David executes such form within 30 days of tender.

OUTSTANDING EQUITY AWARDS AT AUGUST 31, 2022

Option Awards

Name	Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#)	Equity Incentive Plan Awards:		Option Exercise Price (\$)	Option Expiration Date
				Exercisable	Unexercisable		
Christopher David	150,000	0	0	\$	1.60	6/29/23	
	100,000	0	0	\$	1.60	2/19/24	
	75,000	0	0	\$	1.60	4/28/24	
	100,000	0	0	\$	1.60	7/12/24	
	200,000	0	0	\$	1.60	12/29/24	
	575,000	0	0	\$	3.00	8/6/25	

DIRECTOR COMPENSATION

On February 23, 2022, the Company granted, pursuant to the 2021 Plan, a stock option to purchase 93,955 shares of common stock at an exercise price of \$1.33 to each of the Company's then-independent directors, Alex Flesias, Robert Oliva and Michael Pope, in consideration of their services as directors. Each stock option vests, and becomes exercisable, (i) with respect to 7,833 shares each month, beginning on the date of grant, until December 23, 2022, and (ii) with respect to 7,832 shares on January 23, 2023. Each stock option expires on February 23, 2027. The stock option grants were previously approved by the Company's Board of Directors on January 26, 2021 and are consistent with the letter agreements dated January 26, 2021, between the Company and Messrs. Flesias, Oliva and Pope. Mr. Oliva resigned as a member of the Board on June 30, 2022.

Mr. Pope also received \$15,000 during the fiscal year ended August 31, 2022 in consideration for his services as chairman of the audit committee.

On August 9, 2022, the Board granted to Mr. Ali an option to purchase 39,480 shares of the Company's common stock, in consideration of his services as a director. The option has an exercise price of \$1.90 and expires on August 9, 2027, five years after the grant date.

On June 29, 2022, the Board granted Pierre Dalcourt and Michael Gaynor 250,000 and 50,000 shares of common stock, respectively, pursuant to the Novo Integrated Sciences, Inc. 2021 Equity Incentive Plan (the "2021 Plan") as consideration for over 5-years of service to the Board without having received compensation. Messrs. Dalcourt and Gaynor resigned as directors on June 30, 2022.

The following table summarizes compensation paid to all our non-employee directors:

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)	Option Awards (\$)(1)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
Sarfaraz Ali (2)	-	-	71,365	-	-	-	71,365
Pierre Dalcourt (3)	-	-	-	-	-	-	-
Alex Flesias	-	-	91,178	-	-	-	91,178
Robert Oliva (4)	-	-	81,030	-	-	-	81,030
Michael Pope	15,000	-	111,372	-	-	-	126,372

(1) Represents the aggregate grant date fair value for the stock options, computed in accordance with FASB Accounting Standards Codification Topic 718, Compensation — Stock Compensation. For information about the assumptions made in this valuation, refer to Note 14—Stockholders' Equity to the Company's consolidated financial statements included in this Annual Report on Form 10-K. At August 31, 2022, the individuals included in this table had the following number of stock options outstanding: Mr. Ali - 39,480; Mr. Dalcourt - 0; Mr. Flesias - 113,755; Mr. Oliva - 288,795 ; and Mr. Pope - 126,995.

(2) Mr. Ali was appointed as a director on June 30, 2022.

(3) Mr. Dalcourt resigned as a director on June 30, 2022.

(4) Mr. Oliva resigned as a director on June 30, 2022.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth as of March 31, 2023 certain information with respect to the beneficial ownership of the Company's common stock by:

- each of the directors and the Named Executive Officers,
- all executive officers and directors as a group, and
- each person known by the Company to beneficially own more than 5% of the Company's common stock based on certain filings made under Section 13 of the Exchange Act.

All such information provided by the stockholders who are not executive officers or directors reflects their beneficial ownership as of the dates specified in the relevant footnotes to the table. The percent of shares beneficially owned is based on 144,257,518 shares issued and outstanding as of March 31, 2023. Unless otherwise indicated, the owners have sole voting and investment power with respect to their respective shares.

Name and Address of Beneficial Owner	Number of Shares Beneficially Owned	Percentage of Outstanding Common Stock Owned
Named Executive Officers and Directors:		
Robert Mattacchione	12,933,562(1)	9.0%
Christopher David	1,281,950(2)	*%
Sarfaraz Ali	32,900(3)	*
Alex Flesias	113,795(3)	*
Michael Pope	126,995(3)	*
All directors and executive officers as a group (6 persons)	14,489,202(4)	10.0%
5% Stockholders:		
ALMC-ASAP Holdings, Inc. (5)	12,908,562(6)	9.0%

- (1) Represents (i) 12,908,562 shares owned by ALMC-ASAP Holdings, Inc. ("ALMC"), and (ii) 25,000 shares that may be acquired upon exercise of vested options held by Ms. Emily Mattacchione, Mr. Mattacchione's spouse. ALMC is wholly owned by the Mattacchione Family Trust. Mr. Mattacchione is the trustee of the Mattacchione Family Trust, with voting and depository power over these shares.
 (2) Includes 1,200,000 shares that may be acquired upon exercise of vested options.
 (3) Represents shares that may be acquired within 60 days of March 31, 2023 upon exercise of vested options.
 (4) Includes 0 shares beneficially owned by Mr. Zsebok in addition to shares beneficially owned by the Named Executive Officers and directors identified by name in the table, and includes 1,498,690 shares that may be acquired by the Named Executive Officers, directors, and Mr. Zsebok upon exercise of vested options.
 (5) ALMC-ASAP Holdings, Inc.'s address is 119 Westcreek Drive, Suite 1, Woodbridge Ontario Canada L4L 9N6.
 (6) ALMC-ASAP Holdings, Inc.'s shares are held by the Mattacchione Family Trust. See footnote 1 above.

EXISTING EQUITY COMPENSATION PLAN INFORMATION

The table below shows information with respect to all our equity compensation plans as of August 31, 2022.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	0	\$ 0.00	5,118,315(1)
Equity compensation plans not approved by security holders	0	\$ 0.00	0

(1) This represents the 498,750 shares of common stock issuable pursuant to the Company's 2015 Incentive Compensation Plan (the "2015 Plan"), 864,900 shares of common stock issuable pursuant to the Novo Integrated Sciences, Inc. 2018 Incentive Plan (the 2018 Plan") and 3,754,665 shares of common stock issuable pursuant to the Novo Integrated Sciences, Inc. 2021 Equity Incentive Plan (the 2021 Plan"). The Company does not intend to award any additional grants under the 2015 Plan or the 2018 Plan.

On September 8, 2015, the Company's Board of Directors and stockholders holding a majority of the Company's outstanding common stock approved the Novo Integrated Sciences, Inc. the 2015 Plan, which authorizes the issuance of up to 500,000 shares of common stock to employees, officers, directors or independent consultants of the Company, provided that no person can be granted shares under the 2015 Plan for services related to raising capital or promotional activities. As of August 31, 2022, the 2015 Plan has 498,750 shares available for award; however, the Company does not intend to issue any additional grants under the 2015 Plan.

On January 16, 2018, the Company's Board of Directors and stockholders holding a majority of the Company's outstanding common stock approved the Novo Integrated Sciences, Inc. 2018 Plan. Under the 2018 Plan, 1,000,000 shares of common stock are authorized for the grant of stock options and the issuance of restricted stock, stock appreciation rights, phantom stock and performance awards to officers, directors, employees and eligible consultants to the Company or its subsidiaries. As of August 31, 2022, the 2018 Plan has 864,900 shares available for award; however, the Company does not intend to issue any additional grants under the 2018 Plan.

On February 9, 2021, the Company's Board of Directors and stockholders holding a majority of the Company's outstanding common stock approved the Novo Integrated Sciences, Inc. 2021 Plan. Under the 2021 Plan, a total of 4,500,000 shares of common stock are authorized for issuance pursuant to the grant of stock options, stock appreciation rights, restricted stock, restricted stock units, performance units, performance shares or other cash- or stock-based awards to officers, directors, employees and eligible consultants to the Company or its subsidiaries. Subject to adjustment as provided in the 2021 Plan, the maximum aggregate number of shares that may be issued under the 2021 Plan will be cumulatively increased on January 1, 2022 and on each subsequent January 1 through and including January 1, 2023, by a number of shares equal to the smaller of (i) 3% of the number of shares of common stock issued and outstanding on the immediately preceding December 31, or (ii) an amount determined by our Board of Directors. The Company chose not to cumulatively increase the shares authorized for issuance under the 2021 Plan effective January 1, 2022. As of August 31, 2022, the 2021 Plan has 3,754,665 available for award.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

In addition to the compensation arrangements, including employment, termination of employment and change in control arrangements and indemnification arrangements, discussed in the sections titled "Directors, Executive Officers and Corporate Governance" and "Executive Compensation," the following is a description of each transaction since September 1, 2020 and each currently proposed transaction in which:

- We and any subsidiaries thereof have been or will be a participant;
- the amount involved exceeds the lesser of \$120,000 or 1% of the average of the smaller reporting company's total assets at year-end for the last two completed fiscal years; and
- any of our directors, executive officers or beneficial owners of more than 5% of our capital stock, or any immediate family member of, or person sharing the household with, any of these individuals, had or will have a direct or indirect material interest.

At August 31, 2022, the Company had outstanding advances totaling \$478,897 due to related parties. These related parties are stockholders, officers and/or affiliates of the Company, as well as owners, officers and/or shareholders of the companies that provided the advances to the Company. These amounts, owed by the Company, are payable upon demand.

At August 31, 2022, the Company had debentures totaling \$1,175,834 including principal and interest, due to the following related parties:

- \$312,650 due to Peak Health LTC Inc., a company whose owner (Pierre Dalcourt) is a director and greater than 5% shareholder of the Company, and
- \$105,901 due to Michael Gaynor Physiotherapy PC, a company whose owner (Michael Gaynor) is an officer, director and greater than 5% shareholder of the Company, and
- \$310,914 due to ICC Healthnet Canada, Inc., a company whose owner (Robert Mattacchione) is a greater than 5% shareholder of the Company, and
- \$446,369 due to Healthnet Assessment Inc., a company whose owner (Robert Mattacchione) is a greater than 5% shareholder of the Company.

On September 30, 2013, the Company issued five debentures totaling CAD\$6,402,512 in connection with the acquisition of certain business assets. The holders of the debentures are current stockholders, officers and/or affiliates of the Company. The debentures are secured by all the assets of the Company, accrue interest at 8% per annum and were originally due on September 30, 2016. On December 2, 2017, the debenture holders agreed to extend the due date to September 30, 2019. On September 27, 2019, the debenture holders agreed to extend the due date to September 30, 2021. On November 2, 2021, the debenture holders agreed to extend the due date to December 1, 2023.

On January 31, 2018, the debenture holders converted 75% of the debenture value of \$3,894,809 plus accrued interest of \$414,965 into 1,047,588 shares of the Company's common stock. The per share price used for the conversion of each debenture was \$4.11 which was determined based on the average price of the five trading days immediately preceding the date of conversion with a 10% premium added to the calculated per share price. At August 31, 2022, the amount of debentures outstanding was \$946,250.

Amounts loaned to the Company by stockholders and officers of the Company are payable upon demand. At August 31, 2022 and 2021, the amount due to related parties was \$478,897 and \$478,920, respectively.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

On July 27, 2022, the Company's Board of Directors appointed Fruci & Associates II, PLLC ("Frucci") as the Company's independent registered public accounting firm. Prior to that time, SRCO Professional Corporation served as the Company's independent registered public accounting firm.

The following table shows the fees that were billed for the audit and other services provided by Frucci for the fiscal years ended August 31, 2022 and 2021. Prior to August 31, 2022, no fees were billed to the Company by Frucci.

	Fiscal Year Ended August 31,	
	2022	2021
Audit Fees (1)	\$ -	\$ -
Audit-Related Fees (2)	-	-
Tax Fees (3)	-	-
All Other Fees (4)	-	-
Total	\$ -	\$ -

(1) **Audit Fees** - This category includes the audit of our annual financial statements, review of financial statements included in our Quarterly Reports on Form 10-Q and services that are normally provided by the independent registered public accounting firm in connection with engagements for those fiscal years. This category also includes advice on audit and accounting matters that arose during, or as a result of, the audit or the review of interim financial statements.

(2) **Audit-Related Fees** - This category consists of assurance and related services by the independent registered public accounting firm that are reasonably related to the performance of the audit or review of our financial statements and are not reported above under "Audit Fees." The services for the fees disclosed under this category include historical audits of the businesses acquired, consultation regarding our correspondence with the SEC, other accounting consulting and other audit services.

(3) **Tax Fees** - This category consists of professional services rendered by our independent registered public accounting firm for tax compliance and tax advice. The services for the fees disclosed under this category include tax return preparation and technical tax advice.

(4) **All Other Fees** - This category consists of fees for other miscellaneous items.

Board of Directors Pre-Approval Process, Policies and Procedures

All audit and permissible non-audit services provided by our independent registered public accounting firm must be pre-approved. These services may include audit services, audit-related services, tax services and other services. Pre-approval is generally provided for up to one year and any pre-approval is detailed as to the particular service or category of service. The independent registered public accounting firm and management periodically report to the board of directors regarding the extent of services provided by the independent registered public accounting firm. Consistent with the board of directors' policy, all audit and permissible non-audit services provided by our independent registered public accounting firm were pre-approved by our board of directors.

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

Exhibit Number	Description of Document
1.1	<u>Placement Agency Agreement, dated October 13, 2022, by and between the registrant and Maxim Group LLC, as exclusive placement agent thereunder (incorporated by reference to Exhibit 1.1 to the Company's Current Report on Form 8-K filed with the Commission on October 18, 2022).</u>
2.1	<u>Membership Interest Purchase Agreement dated March 17, 2022, by and among Novo Integrated Sciences, Inc., Clinical Consultants International LLC, each of the members of CCI and Dr. Joseph Chalil (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the Commission on March 23, 2022).</u>
3.1	<u>Amended and Restated Articles of Incorporation of the registrant (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Commission on June 5, 2017).</u>
3.2	<u>Certificate of Amendment filed by the registrant with the Nevada Secretary of State on November 9, 2020 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Commission on November 30, 2020).</u>
3.3	<u>Termination of Amendment filed by the registrant with the Nevada Secretary of State on November 23, 2020 (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed with the Commission on November 30, 2020).</u>
3.4	<u>Certificate of Amendment filed by the registrant with the Nevada Secretary of State on November 23, 2020 (incorporated by reference to Exhibit 3.3 to the Company's Current Report on Form 8-K filed with the Commission on November 30, 2020).</u>
3.5	<u>Termination of Amendment filed by the registrant with the Nevada Secretary of State on December 4, 2020 (incorporated by reference to Exhibit 3.5 to the Company's Annual Report on Form 10-K filed with the Commission on December 9, 2020).</u>
3.6	<u>Certificate of Amendment filed by the registrant with the Nevada Secretary of State on December 4, 2020 (incorporated by reference to Exhibit 3.6 to the Company's Annual Report on Form 10-K filed with the Commission on December 9, 2020).</u>
3.7	<u>Bylaws dated February 15, 2008 (incorporated by reference to Exhibit 3.10 to the Company's Annual Report on Form 10-K filed with the Commission on March 7, 2017).</u>
4.1	<u>Guaranty Agreement dated September 24, 2019 by and between the registrant, Fitness International, LLC and Fitness & Sports Clubs, LLC (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Commission on September 30, 2019).</u>
4.2	<u>Guaranty Agreement dated September 24, 2019 by and between the registrant and LAF Canada Company (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the Commission on September 30, 2019).</u>

- 4.3 Form of Warrant (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the Commission on April 9, 2021).
- 4.4 Guaranty Agreement dated December 15, 2021 by and between the registrant and LAF Canada Company (incorporated by reference to Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q filed with the Commission on January 18, 2022).
- 4.5 Form of Three Year Common Stock Purchase Warrant (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the Commission on October 18, 2022).
- 4.6 Form of Five Year Common Stock Purchase Warrant (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the Commission on October 18, 2022).
- 4.7 Warrant Agency Agreement, dated October 18, 2022, by and between the registrant and Pacific Stock Transfer Company (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the Commission on October 18, 2022).
- 4.8 Common Stock Purchase Warrant, dated as of February 23, 2023, by and between Novo Integrated Sciences, Inc. and Mast Hill Fund, L.P. (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the Commission on March 1, 2023).
- 4.9 Common Stock Purchase Warrant, dated as of March 21, 2023, by and between Novo Integrated Sciences, Inc. and FirstFire Global Opportunities Fund, LLC (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the Commission on March 27, 2023).
- 10.1+ 2015 Incentive Compensation Plan (incorporated by reference to Exhibit 10.1 to the Company's registration statement on Form S-8 filed with the Commission on September 8, 2015).
- 10.2 Share Exchange Agreement dated April 25, 2017 by and between Turbine Truck Engines, Inc., Novo Healthnet Limited, ALMC-ASAP Holdings Inc., Michael Gaynor Family Trust, 1218814 Ontario Inc. and Michael Gaynor Physiotherapy Professional Corp. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on May 1, 2017).
- 10.34 Amendment No. 1 to Share Exchange Agreement dated as of May 3, 2017 by and between Turbine Truck Engines, Inc., Novo Healthnet Limited, ALMC-ASAP Holdings Inc., Michael Gaynor Family Trust, 1218814 Ontario Inc. and Michael Gaynor Physiotherapy Professional Corp. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on May 9, 2017).
- 10.4+ Option to Purchase Common Stock, dated July 12, 2017 (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Commission on July 18, 2017).
- 10.5+ Option to Purchase Common Stock dated December 29, 2017 (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Commission on January 3, 2018).
- 10.6+ Novo Integrated Sciences, Inc. 2018 Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on January 22, 2018).
- 10.7+ Amendment to Option #21 of Christopher David dated as of April 20, 2018 (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the Commission on April 24, 2018).
- 10.8+ Amendment to Option #23 of Christopher David dated as of April 20, 2018 (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the Commission on April 24, 2018).
- 10.9+ Amendment to Option #24 of Christopher David dated as of April 20, 2018 (incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K filed with the Commission on April 24, 2018).
- 10.10 Agreement of Transfer and Assignment dated January 8, 2019 by and between the registrant and 2478659 Ontario Ltd. (incorporated by reference to Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q filed with the Commission on January 11, 2019).

- 10.11 Software License Agreement dated February 26, 2019 by and among Novo Integrated Sciences, Inc., Novo Healthnet Limited and Cloud DX Inc. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on March 5, 2019).
- 10.12 First Amendment to Cloud DX Perpetual Software License Agreement dated March 6, 2020 and entered into on March 9, 2020 by and among the registrant, Novo Healthnet Limited and Cloud DX Inc. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on March 12, 2020).
- 10.13 Proposal for Joint Venture dated September 11, 2019 between the registrant and Harvest Gold Farms, Inc. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on September 17, 2019).
- 10.14 Master Facility License Agreement dated September 24, 2019 by and between Novomerica Health Group Inc., Fitness International, LLC, and Fitness & Sports Clubs, LLC (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on September 30, 2019).
- 10.15 Amendment to Master Facility License Agreement, entered into as of February 4, 2020, by and between Fitness International, LLC and Novomerica Health Group, Inc. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on February 10, 2020).
- 10.16 Master Facility License Agreement dated September 24, 2019 by and between Novo Healthnet Limited, Inc. and LAF Canada Company (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the Commission on September 30, 2019).
- 10.17 First Amendment to Master Facility License Agreement, entered into as of February 4, 2020, by and between LAF Canada Company and Novo Health Limited, Inc. (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Commission on February 10, 2020).
- 10.18+ Employment Agreement dated August 6, 2020 between the registrant and Christopher David (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on August 12, 2020).
- 10.19+ Option Agreement #32 of Christopher David dated August 6, 2020 (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Commission on August 12, 2020).
- 10.20+ Novo Integrated Sciences, Inc. 2018 Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on January 22, 2018).
- 10.21+ Novo Integrated Sciences, Inc. 2021 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on February 16, 2021).
- 10.22 Form of Securities Purchase Agreement (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on April 9, 2021).
- 10.23 Placement Agency Agreement (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Commission on April 9, 2021).
- 10.24 Share Exchange Agreement, dated as of May 11, 2021, by and among the registrant, PRO-DIP, LLC, Peter St. Lawrence and George St. Lawrence (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on May 17, 2021).
- 10.25 Share Exchange Agreement, dated as of May 28, 2021, by and among Novo Integrated Sciences, Inc., Novo Healthnet Limited, Atenzia Inc., Ambour Holdings Inc., Avec8 Holdings Inc., Indrajit Sinha, Grant Bourdeau and Derrick Bourdeau (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on June 3, 2021).

- 10.26+ Executive Agreement, dated June 18, 2021, by and between the registrant and GPE Global Holdings Inc. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on June 21, 2021).
- 10.27 Amendment No. 1 to Share Exchange Agreement entered into and effective as of September 22, 2021, by and between the registrant, Novo Healthnet Limited, Acentia Inc., Avec8 Holdings Inc., Ambour Holdings Inc., Indrajit Sinha, Grant Bourdeau, and Derrick Bourdeau (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on September 23, 2021).
- 10.28 Amendment No. 2 to Share Exchange Agreement entered into and effective as of October 7, 2021, by and between the registrant, Novo Healthnet Limited, Acentia Inc., Avec8 Holdings Inc., Ambour Holdings Inc., Indrajit Sinha, Grant Bourdeau, and Derrick Bourdeau (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on October 14, 2021).
- 10.29 Amendment No. 3 to Share Exchange Agreement entered into and effective as of October 22, 2021, by and between the registrant, Novo Healthnet Limited, Acentia Inc., Avec8 Holdings Inc., Ambour Holdings Inc., Indrajit Sinha, Grant Bourdeau, and Derrick Bourdeau (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on October 28, 2021).
- 10.30 Letter Agreement dated November 2, 2021 by and between Novo Healthnet Limited and Healthnet Assessments Inc. (incorporated by reference to Exhibit 10.35 to the Company's Annual Report on Form 10-K filed with the Commission on December 14, 2021).
- 10.31 Letter Agreement dated November 2, 2021 by and between Novo Healthnet Limited and ICC Healthnet Canada Inc. (incorporated by reference to Exhibit 10.36 to the Company's Annual Report on Form 10-K filed with the Commission on December 14, 2021).
- 10.32 Letter Agreement dated November 2, 2021 by and between Novo Healthnet Limited and Peak Health LTC Inc. (incorporated by reference to Exhibit 10.37 to the Company's Annual Report on Form 10-K filed with the Commission on December 14, 2021).
- 10.33 Letter Agreement dated November 2, 2021 by and between Novo Healthnet Limited and Michael Gaynor Physiotherapy Professional Corporation (incorporated by reference to Exhibit 10.38 to the Company's Annual Report on Form 10-K filed with the Commission on December 14, 2021).
- 10.34 Letter Agreement dated November 2, 2021 by and between Novo Healthnet Limited and Peak Health LTC Inc. (incorporated by reference to Exhibit 10.39 to the Company's Annual Report on Form 10-K filed with the Commission on December 14, 2021).
- 10.35 Share Exchange Agreement, dated as of November 17, 2021, by and among the registrant, Novo Healthnet Limited, Terragenx Inc., TMS Inc., Shawn Mullins, Claude Fournier, and The Coles Optimum Health and Vitality Trust (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on November 24, 2021).
- 10.36 Asset Purchase Agreement, dated as of November 17, 2021, by and between the registrant and Terence Mullins (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Commission on November 24, 2021).
- 10.37 Securities Purchase Agreement, dated as of November 17, 2021, by and among the registrant, Terragenx Inc. and Jefferson Street Capital LLC (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the Commission on November 24, 2021).
- 10.38 Secured Convertible Promissory Note, dated November 17, 2021, issued by Terragenx Inc. in favor of Jefferson Street Capital, LLC (registrant as guarantor) (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the Commission on November 24, 2021).
- 10.39 Common Stock Purchase Warrant dated November 17, 2021 (Jefferson Street Capital, LLC as holder) (incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K filed with the Commission on November 24, 2021).

10.40	<u>Securities Purchase Agreement, dated as of November 17, 2021, by and among the registrant, Terragenx Inc. and Platinum Point Capital LLC (incorporated by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K filed with the Commission on November 24, 2021).</u>
10.41	<u>Secured Convertible Promissory Note, dated November 17, 2021, issued by Terragenx Inc. in favor of Platinum Point Capital, LLC (registrant as guarantor) (incorporated by reference to Exhibit 10.7 to the Company's Current Report on Form 8-K filed with the Commission on November 24, 2021).</u>
10.42	<u>Common Stock Purchase Warrant dated November 17, 2021 (Platinum Point Capital, LLC as holder) (incorporated by reference to Exhibit 10.8 to the Company's Current Report on Form 8-K filed with the Commission on November 24, 2021).</u>
10.43	<u>Amended and Restated Master Facility License Agreement, dated December 15, 2021, by and between LAF Canada Company and Novo Healthnet Limited (incorporated by reference to Exhibit 10.17 to the Company's Quarterly Report on Form 10-Q filed with the Commission on January 18, 2022).</u>
10.44+	<u>Executive Employment Agreement dated as of April 5, 2022 by and between the registrant and Dr. Joseph Mathew Chalil April 7, 2022 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on April 7, 2022).</u>
10.45	<u>Waiver and Amendment, dated as of October 13, 2022, by and between the registrant and CVI Investments, Inc. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on October 14, 2022).</u>
10.46	<u>Waiver and Amendment, dated as of October 13, 2022, by and between the registrant and Hudson Bay Master Fund Ltd. (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Commission on October 14, 2022).</u>
10.47	<u>Exchange Offer and Amendment, dated as of November 14, 2022, by and between the registrant and CVI Investments, Inc. (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Commission on November 15, 2022).</u>
10.48	<u>Exchange Offer and Amendment, dated as of November 14, 2022, by and between the registrant and Hudson Bay Master Fund Ltd. (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Commission on November 15, 2022).</u>
10.49*	<u>Letter Agreement, dated December 13, 2022, by and among the registrant, Terragenix Inc. and Jefferson Street Capital LLC.</u>
10.50	<u>Share Purchase Agreement, dated as of December 23, 2022, by and among Novo Integrated Sciences, Inc., SwagCheck Inc. and the shareholders of SwagCheck Inc. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on December 30, 2022).</u>
10.51	<u>Promissory Note, dated as of February 23, 2023, by and between Novo Integrated Sciences, Inc. and Mast Hill Fund, L.P. (incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed with the Commission on March 1, 2023).</u>
10.52	<u>Securities Purchase Agreement, dated as of February 23, 2023, by and between Novo Integrated Sciences, Inc. and Mast Hill Fund, L.P. (incorporated by reference to Exhibit 10.2 to the registrant's Current Report on Form 8-K filed with the Commission on March 1, 2023).</u>
10.53	<u>Promissory Note, dated as of March 21, 2023, by and between Novo Integrated Sciences, Inc. and FirstFire Global Opportunities Fund, LLC (incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed with the Commission on March 27, 2023).</u>
10.54	<u>Securities Purchase Agreement, dated as of March 21, 2023, by and between Novo Integrated Sciences, Inc. and FirstFire Global Opportunities Fund, LLC (incorporated by reference to Exhibit 10.2 to the registrant's Current Report on Form 8-K filed with the Commission on March 27, 2023).</u>
21.1*	<u>Subsidiaries of the Company.</u>
23.1*	<u>Consent of Fruci & Associates II PLLC, Independent Registered Public Accounting Firm.</u>
23.2*	<u>Consent of SRCO Professional Corporation, Independent Registered Public Accounting Firm.</u>
31.1*	<u>Rule 13a-14(a) Certification of Principal Executive Officer</u>
31.2*	<u>Rule 13a-14(a) Certification of Principal Financial Officer</u>
32.1**	<u>Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, of Principal Executive Officer and Principal Financial Officer</u>
101.INS*	Inline XBRL Instance Document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase
101.LAB*	Inline XBRL Taxonomy Extension Labels Linkbase
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase
104*	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Filed herewith.

** Furnished herewith.

+ Management contract or compensatory plan or arrangement.

Item 16. Form 10-K Summary.

Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NOVO INTEGRATED SCIENCES, INC.

Dated: April 3, 2023

By: /s/ Robert Mattacchione

Robert Mattacchione, Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each individual whose signature appears below constitutes and appoints Robert Mattacchione and Christopher David, and each of them individually, his or her true and lawful attorney-in-fact, with full power of substitution and re-substitution for him or her and in his or her name, place and stead, in any and all capacities to sign any and all amendments to the Annual Report on Form 10-K and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that said attorney-in-fact or his substitute may lawfully do or cause to be done by virtue thereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Dated: April 3, 2023

By: /s/ Robert Mattacchione

Robert Mattacchione, Chief Executive Officer and Chairman of the Board
(principal executive officer)

Dated: April 3, 2023

By: /s/ James Zsebok

James Zsebok, Principal Financial Officer
(principal financial officer and principal accounting officer)

Dated: April 3, 2023

By: /s/ Christopher David

Christopher David, Director

Dated: April 3, 2023

By: /s/ Michael Pope

Michael Pope, Director

Dated: April 3, 2023

By: /s/ Alex Flesias

Alex Flesias, Director

Dated: April 3, 2023

By: /s/ Sarfaraz Ali

Sarfaraz Ali, Director