

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington D.C. 20549

FORM 10-Q

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

For the quarterly period ended May 31, 2023

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 Number)

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, former address and former fiscal year, if changed since last report)

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

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each Exchange on which Registered</u>
Common Stock	NVOS	The Nasdaq Stock Market LLC

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.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

There were 148,434,184 shares of the Registrant's \$0.001 par value common stock outstanding as of July 17, 2023.

Novo Integrated Sciences, Inc.

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Item 1. Financial Statements.

**NOVO INTEGRATED SCIENCES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
As of May 31, 2023 (unaudited) and August 31, 2022**

	May 31, 2023	August 31, 2022
	(unaudited)	
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 464,011	\$ 2,178,687
Accounts receivable, net	1,327,613	1,017,405
Inventory, net	938,940	879,033
Other receivables	1,046,080	1,085,335
Prepaid expenses and other current assets	221,414	571,335
Total current assets	<u>3,998,058</u>	<u>5,731,795</u>
Property and equipment, net	5,411,438	5,800,648
Intangible assets, net	16,696,363	18,840,619
Right-of-use assets, net	2,096,376	2,673,934
Goodwill	7,542,795	7,825,844
TOTAL ASSETS	<u>\$ 35,745,030</u>	<u>\$ 40,872,840</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 1,896,040	\$ 1,800,268
Accrued expenses	1,178,245	1,116,125
Accrued interest (including amounts to related parties)	350,831	454,189
Government loans and notes payable, current portion	312,672	-
Convertible notes payable, net of discount of \$494,523	651,477	9,099,654
Contingent liability	57,933	534,595
Due to related parties	406,683	478,897
Debentures, related parties, current portion	912,025	-
Finance lease liability, current portion	13,814	8,890
Operating lease liability, current portion	428,951	582,088
Total current liabilities	<u>6,208,671</u>	<u>14,074,706</u>
Debentures, related parties, net of current portion	-	946,250
Government loans and notes payable, net of current portion	64,946	161,460
Finance lease liability, net of current portion	-	12,076
Operating lease liability, net of current portion	1,786,961	2,185,329
Deferred tax liability	1,393,168	1,445,448
TOTAL LIABILITIES	<u>9,453,746</u>	<u>18,825,269</u>
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 May 31, 2023 and August 31, 2022, respectively	-	-
Common stock; \$0.001 par value; 499,000,000 shares authorized; 144,857,518 and 31,180,603 shares issued and outstanding at May 31, 2023 and August 31, 2022, respectively	144,857	31,181
Additional paid-in capital	89,249,590	66,056,824
Common stock to be issued (911,392 and 4,149,633 shares at May 31, 2023 and August 31, 2022, respectively)	1,217,293	9,474,807
Other comprehensive (loss) income	(172,526)	560,836
Accumulated deficit	(63,872,587)	(53,818,489)
Total Novo Integrated Sciences, Inc. stockholders' equity	<u>26,566,627</u>	<u>22,305,159</u>
Noncontrolling interest	(275,343)	(257,588)

Total stockholders' equity	26,291,284	22,047,571
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 35,745,030</u>	<u>\$ 40,872,840</u>

The accompanying footnotes are an integral part of these unaudited condensed consolidated financial statements.

NOVO INTEGRATED SCIENCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
For the Three and Nine Months Ended May 31, 2023 and 2022 (unaudited)

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>May 31, 2023</u>	<u>May 31, 2022</u>	<u>May 31, 2023</u>	<u>May 31, 2022</u>
Revenues	\$ 3,292,933	\$ 13,851,883	\$ 9,268,722	\$ 19,883,033
Cost of revenues	1,978,839	11,443,001	5,244,192	14,991,331
Gross profit	<u>1,314,094</u>	<u>2,408,882</u>	<u>4,024,530</u>	<u>4,891,702</u>
Operating expenses:				
Selling expenses	1,877	9,802	9,916	36,340
General and administrative expenses	2,742,635	3,601,826	9,473,802	9,542,443
Total operating expenses	<u>2,744,512</u>	<u>3,611,628</u>	<u>9,483,718</u>	<u>9,578,783</u>
Loss from operations	<u>(1,430,418)</u>	<u>(1,202,746)</u>	<u>(5,459,188)</u>	<u>(4,687,081)</u>
Non-operating income (expense)				
Interest income	62,397	8,355	6,762	25,233
Interest expense	(9,570)	(513,398)	(240,520)	(1,808,310)
Amortization of debt discount	(156,037)	(2,133,890)	(4,386,899)	(3,654,752)
Foreign currency transaction gain (loss)	48,333	97,654	12,652	(303,714)
Total other expense	<u>(54,877)</u>	<u>(2,541,279)</u>	<u>(4,608,005)</u>	<u>(5,741,543)</u>
Loss before income taxes	(1,485,295)	(3,744,025)	(10,067,193)	(10,428,624)
Income tax expense	-	-	-	-
Net loss	\$ (1,485,295)	\$ (3,744,025)	\$ (10,067,193)	\$ (10,428,624)
Net loss attributed to noncontrolling interest	<u>12,035</u>	<u>66,029</u>	<u>(13,095)</u>	<u>(6,816)</u>
Net loss attributed to Novo Integrated Sciences, Inc.	<u>(1,497,330)</u>	<u>(3,810,054)</u>	<u>(10,054,098)</u>	<u>(10,421,808)</u>
Comprehensive loss:				
Net loss	(1,485,295)	(3,744,025)	(10,067,193)	(10,428,624)
Foreign currency translation (loss) gain	(120,357)	13,711	(738,022)	24,916
Comprehensive loss:	<u>\$ (1,605,652)</u>	<u>\$ (3,730,314)</u>	<u>\$ (10,805,215)</u>	<u>\$ (10,403,708)</u>
Weighted average common shares outstanding – basic and diluted	<u>143,600,541</u>	<u>29,817,999</u>	<u>85,832,252</u>	<u>28,498,414</u>
Net loss per common share – basic and diluted	<u>\$ (0.01)</u>	<u>\$ (0.13)</u>	<u>\$ (0.12)</u>	<u>\$ (0.37)</u>

The accompanying footnotes are an integral part of these unaudited condensed consolidated financial statements.

NOVO INTEGRATED SCIENCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the Three and Nine Months Ended May 31, 2023 and 2022 (unaudited)

	Common Stock		Additional	Common	Other	Accumulated	Novo	Noncontrolling	Total
	Shares	Amount	Paid-in	Stock To	Comprehensive	Deficit	Stockholders'	Interest	Equity
			Capital	Be Issued	Income		Equity		
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
Units issued for cash, net of offering costs	4,000,000	4,000	1,791,000	-	-	-	1,795,000	-	1,795,000
Issuance of common stock to be issued	36,222	36	92,330	(92,366)	-	-	-	-	-
Cashless exercise of warrants	4,673,986	4,674	1,134,376	-	-	-	1,139,050	-	1,139,050
Fair value of stock options	-	-	60,887	-	-	-	60,887	-	60,887
Foreign currency translation loss	-	-	-	-	(417,008)	-	(417,008)	(3,974)	(420,982)
Net loss	-	-	-	-	-	(3,935,413)	(3,935,413)	(1,323)	(3,936,736)
Balance, November 30, 2022	39,890,811	\$ 39,891	\$69,135,417	\$ 9,382,441	\$ 143,828	\$ (57,753,902)	\$ 20,947,675	\$ (262,885)	\$20,684,790
Share issuance for convertible debt settlement	93,109,398	93,110	8,992,941	-	-	-	9,086,051	-	9,086,051
Cashless exercise of warrants	1,159,348	1,159	281,374	-	-	-	282,533	-	282,533
Exercise of warrants for cash	1,310,000	1,310	129,690	-	-	-	131,000	-	131,000
Issuance of common stock to be issued	3,202,019	3,201	8,161,947	(8,165,148)	-	-	-	-	-
Shares issued with convertible notes	955,000	955	82,008	-	-	-	82,963	-	82,963
Value of warrants issued with convertible notes	-	-	86,327	-	-	-	86,327	-	86,327
Fair value of stock options	-	-	60,887	-	-	-	60,887	-	60,887
Extinguishment of derivative liability due to conversion	-	-	1,390,380	-	-	-	1,390,380	-	1,390,380
Foreign currency translation loss	-	-	-	-	(195,821)	-	(195,821)	(862)	(196,683)
Net loss	-	-	-	-	-	(4,621,355)	(4,621,355)	(23,807)	(4,645,162)
Balance, February 28, 2023	139,626,576	\$139,626	\$88,320,971	\$ 1,217,293	\$ (51,993)	\$ (62,375,257)	\$ 27,250,640	\$ (287,554)	\$26,963,086
Share issuance for convertible debt settlement	1,075,942	1,076	99,202	-	-	-	100,278	-	100,278
Exercise of warrants for cash	3,200,000	3,200	316,800	-	-	-	320,000	-	320,000
Shares issued with convertible notes	955,000	955	89,177	-	-	-	90,132	-	90,132
Value of warrants issued with convertible notes	-	-	93,811	-	-	-	93,811	-	93,811
Beneficial conversion feature upon issuance on convertible debt	-	-	66,068	-	-	-	66,068	-	66,068
Stock option expense	-	-	263,561	-	-	-	263,561	-	263,561
Foreign currency translation loss	-	-	-	-	(120,533)	-	(120,533)	176	(120,357)
Net loss	-	-	-	-	-	(1,497,330)	(1,497,330)	12,035	(1,485,295)
Balance, May 31, 2023	144,857,518	\$144,857	\$89,249,590	\$ 1,217,293	\$ (172,526)	\$ (63,872,587)	\$ 26,566,627	\$ (275,343)	\$26,291,284
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	35,000	35	64,715	-	-	-	64,750	-	64,750
Common stock issued as collateral and held in escrow	2,000,000	2,000	(2,000)	-	-	-	-	-	-
Common stock to be issued for purchase of Terragenx	-	-	-	983,925	-	-	983,925	97,311	1,081,236
Common stock to be issued for purchase of Mullin assets	-	-	-	188,925	-	-	188,925	-	188,925
Value of warrants issued with convertible notes	-	-	295,824	-	-	-	295,824	-	295,824
Fair value of stock options	-	-	154,135	-	-	-	154,135	-	154,135
Foreign currency translation loss	-	-	-	-	(103,533)	-	(103,533)	(855)	(104,388)
Net loss	-	-	-	-	-	(1,806,587)	(1,806,587)	(9,808)	(1,816,395)
Balance, November 30, 2021	28,645,144	\$ 28,645	\$55,092,070	\$10,409,457	\$ 887,544	\$ (22,775,861)	\$ 43,641,855	\$ 26,387	\$43,668,242
Common stock for services	240,000	240	297,760	-	-	-	298,000	-	298,000
Value of warrants issued with convertible notes	-	-	5,257,466	-	-	-	5,257,466	-	5,257,466
Fair value of stock options	-	-	44,427	-	-	-	44,427	-	44,427
Foreign currency translation gain	-	-	-	-	114,738	-	114,738	355	115,093
Net loss	-	-	-	-	-	(4,805,167)	(4,805,167)	(63,037)	(4,868,204)
Balance, February 28, 2022	28,885,144	\$ 28,885	\$60,691,723	\$10,409,457	\$ 1,002,282	\$ (27,581,028)	\$ 44,551,319	\$ (36,295)	\$44,515,024
Common stock issued for services	125,000	125	313,875	-	-	-	314,000	-	314,000
Share issuance for convertible debt settlement	623,929	624	1,247,225	-	-	-	1,247,849	-	1,247,849
Common stock issued for acquisition	800,000	800	1,703,200	-	-	-	1,704,000	-	1,704,000
Common stock to be issued for acquisitions	-	-	-	260,625	-	-	260,625	25,402	286,027
Issuance of common stock to be issued	225,000	225	573,525	(573,750)	-	-	-	-	-

Fair value of stock options	-	-	91,330	-	-	-	91,330	-	91,330
Foreign currency translation gain	-	-	-	-	13,711	-	13,711	51	13,762
Net Loss						(3,810,054)	(3,810,054)	66,029	(3,744,025)
Balance, May 31, 2022	<u>30,659,073</u>	<u>\$ 30,659</u>	<u>\$64,620,878</u>	<u>\$10,096,332</u>	<u>\$ 1,015,993</u>	<u>\$ (31,391,082)</u>	<u>\$ 44,372,780</u>	<u>\$ 55,187</u>	<u>\$44,427,967</u>

The accompanying footnotes are an integral part of these unaudited condensed consolidated financial statements.

NOVO INTEGRATED SCIENCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Nine Months Ended May 31, 2023 and 2022 (unaudited)

	Nine Months Ended	
	May 31, 2023	May 31, 2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (10,067,193)	\$ (10,428,624)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,718,388	2,349,434
Fair value of vested stock options	385,335	289,892
Common stock issued for services	-	676,750
Financing costs for debt extension	1,421,583	-
Operating lease expense	624,246	418,188
Amortization of debt discount	4,386,899	3,654,752
Foreign currency transaction (gain) loss	(12,652)	303,714
Changes in operating assets and liabilities:		
Accounts receivable	(308,907)	(3,650,069)
Inventory	(92,260)	(263,539)
Prepaid expenses and other current assets	333,724	(150,632)
Accounts payable	154,542	117,056
Accrued expenses	104,004	(68,871)
Accrued interest	(67,634)	598,904
Operating lease liability	(594,618)	(406,862)
Net cash used in operating activities	<u>(2,014,543)</u>	<u>(6,559,907)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(18,870)	(190,973)
Cash acquired with acquisition	-	57,489
Payments received from other receivables	-	296,138
Net cash (used in) provided by investing activities	<u>(18,870)</u>	<u>162,654</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments to related parties	(56,649)	(21,932)
Repayments of finance leases	(6,435)	(14,797)
Proceeds from (repayments of) notes payable	222,000	(4,430,794)
Proceeds from the sale of common stock, net of offering costs	1,795,000	-
Proceeds from exercise of warrants	451,000	-
Repayment of convertible notes	(3,033,888)	-
Proceeds from issuance of convertible notes, net	925,306	15,270,000
Net cash provided by financing activities	<u>296,334</u>	<u>10,802,477</u>
Effect of exchange rate changes on cash and cash equivalents	<u>22,403</u>	<u>(20,940)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,714,676)	4,384,284
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>2,178,687</u>	<u>8,293,162</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 464,011</u>	<u>\$ 12,677,446</u>
CASH PAID FOR:		
Interest	<u>\$ 343,878</u>	<u>\$ 1,294,912</u>
Income taxes	<u>\$ -</u>	<u>\$ -</u>
SUPPLEMENTAL NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Common stock issued for convertible debt settlement	<u>\$ 9,186,329</u>	<u>\$ 1,247,849</u>
Common stock to be issued for intangible assets	<u>\$ -</u>	<u>\$ 188,925</u>
Common stock to be issued for acquisition	<u>\$ -</u>	<u>\$ 1,244,550</u>

Common stock issued for acquisition	\$ -	\$ 1,704,000
Beneficial conversion feature upon issuance of convertible notes	\$ 66,068	\$ -
Debt discount recognized on derivative liability	\$ 1,390,380	\$ -
Debt discount recognized on convertible note	\$ 639,993	\$ -
Extinguishment of derivative liability due to conversion	\$ 1,390,380	\$ -
Common stock issued with convertible notes	\$ 173,095	\$ -
Warrants issued with convertible notes	\$ 180,138	\$ -

The accompanying footnotes are an integral part of these unaudited condensed consolidated financial statements.

NOVO INTEGRATED SCIENCES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Nine Months Ended May 31, 2023 and 2022 (unaudited)

Note 1 – Organization and Basis of Presentation

Organization and Line of Business

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 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) Novo Healthnet Limited (“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. (“MGPP,” and together with ALMC, 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 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.

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 "Part I, Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Financial Impact of COVID-19" of this quarterly report on Form 10-Q.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements were prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC") and in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. The information furnished herein reflects all adjustments, consisting only of normal recurring adjustments, which in the opinion of management, are necessary to fairly state the Company's financial position, the results of its operations, and cash flows for the periods presented. Certain information and footnote disclosures normally present in annual financial statements prepared in accordance with U.S. GAAP were omitted pursuant to such rules and regulations.

The financial information contained in this report should be read in conjunction with our Annual Report on Form 10-K for the fiscal year ended August 31, 2022, that the Company filed on April 3, 2023. The results of operations for the nine months ended May 31, 2023 are not necessarily indicative of the results for the fiscal year ending August 31, 2023.

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 unaudited condensed 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 unaudited condensed consolidated financial statements are issued. The Company has incurred recurring losses from operations and has an accumulated deficit as at May 31, 2023. 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 unaudited condensed 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, or at all. 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 unaudited condensed consolidated 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 unaudited condensed consolidated financial statements that substantial doubt exists as those plans are not completely within the control of management. These unaudited condensed 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 condensed consolidated statement of operations and comprehensive loss. The following table details the exchange rates used for the respective periods:

	<u>May 31, 2023</u>	<u>May 31, 2022</u>	<u>August 31, 2022</u>
Period end: CAD to USD exchange rate	\$ 0.7351	\$ 0.7910	\$ 0.7627
Average period: CAD to USD exchange rate	\$ 0.7400	\$ 0.7897	\$ 0.7864

Note 2 – Summary of Significant Accounting Policies

Use of Estimates

The preparation of condensed 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 condensed 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 going concern assessment, 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 Inc. ("Acenzia"), Novomerica Health Group, Inc. ("NHG"), Novo Healthnet Rehab Limited, Novo Assessments Inc., PRO-DIP, LLC ("PRO-DIP"), a 91% controlling interest in Terragenx Inc. ("Terragenx"), a 50.1% controlling interest in 12858461 Canada Corp ("1285 Canada"), an 80% controlling interest in Novo Healthnet Kemptville 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 other comprehensive income are attributed to the shareholders of the Company and to the noncontrolling interests. Total comprehensive loss 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 condensed consolidated statements of operations and comprehensive loss.

Cash Equivalents

For the purpose of the condensed 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.

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 May 31, 2023 and August 31, 2022, the allowance for uncollectible accounts receivable was \$1,095,710 and \$992,329, 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 revenues in the accompanying condensed 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 May 31, 2023 and August 31, 2022, the Company's allowance for slow moving or obsolete inventory was \$990,501 and \$1,027,670, 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 nine months ended May 31, 2023 and year ended August 31, 2022, the Company wrote off \$nil and \$299,672 (principal amount of \$225,924 and accrued interest of \$73,748), respectively, 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 May 31, 2023, 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)
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 May 31, 2023, the Company believes there was no impairment of its intangible assets.

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 condensed consolidated balance sheet and are expensed on a straight-line basis over the lease term in the condensed consolidated statements of operations and comprehensive loss. The Company determines the lease term by agreement with the 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 during the fiscal year ended August 31, 2021, and 1285 Canada during the 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 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. Based on its review at May 31, 2023, the Company believes there was no additional impairment of its goodwill.

Summary of changes in goodwill by acquired businesses is as follows:

	<u>APKA</u>	<u>EFL</u>	<u>Rockland</u>	<u>Acenzia</u>	<u>1285 Canada</u>	<u>Total</u>
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	\$190,678	\$125,088	\$ 221,188	\$ 7,288,307	\$ 583	\$ 7,825,844
Foreign currency translation adjustment	(6,895)	(4,526)	(8,000)	(263,607)	(21)	(283,049)
Balance, May 31, 2023	\$183,783	\$120,562	\$ 213,188	\$ 7,024,700	\$ 562	\$ 7,542,795

Fair Value of Financial Instruments

For certain of the Company's financial instruments, including cash and cash equivalents, accounts receivable, other receivables, accounts payable, accrued expenses, current portion of finance and operating lease liability, current portion of government loans and notes payable, debentures, convertible 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 condensed 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 condensed consolidated balance sheets for cash and cash equivalents, accounts receivable, other receivables, and current liabilities, including accounts payable, accrued expenses, current portion of government loans and notes payable, convertible notes payable, due to related parties, debentures, operating lease liability and finance lease liability, 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 May 31, 2023 and August 31, 2022, respectively, the Company did not identify any financial assets and liabilities required to be presented on the condensed consolidated balance sheet at fair value, except for cash and cash equivalents which are carried at fair value using Level 1 inputs.

Derivative Financial Instruments

Fair value accounting requires bifurcation of embedded derivative instruments such as conversion features in convertible debt or equity instruments and measurement of their fair value for accounting purposes. In assessing the convertible debt instruments, management determines if the convertible debt host instrument is conventional convertible debt and further if there is a beneficial conversion feature requiring measurement. If the instrument is not considered conventional convertible debt under ASC 470, the Company will continue its evaluation process of these instruments as derivative financial instruments under ASC 815. The Company applies the guidance in ASC 815-40-35-12 to determine the order in which each convertible instrument would be evaluated for derivative classification.

Once determined, derivative liabilities are adjusted to reflect fair value at each reporting period end, with any increase or decrease in the fair value being recorded in results of operations as an adjustment to the fair value of derivatives.

Revenue Recognition

The Company's revenue recognition reflects the updated accounting policies as per the requirements of FASB Accounting Standards Update ("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 condensed consolidated balance sheets.

Sales returns and allowances were insignificant for the nine months ended May 31, 2023 and 2022. 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 condensed 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. There were 12,266,165 and 10,624,849 options/warrants outstanding at May 31, 2023 and 2022, respectively. In addition, at May 31, 2023, there were outstanding convertible notes that could convert into 6,548,571 shares of common stock and there were 911,392 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 per share 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 and the functional currency of the parent company is the United States dollar. Translation losses of \$738,022 and \$431,605 for the nine months ended May 31, 2023 and year ended August 31, 2022, respectively, are classified as an item of other comprehensive income in the stockholders’ equity section of the condensed 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 condensed consolidated statements of cash flows will not necessarily agree with changes in the corresponding balances on the condensed 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: healthcare services and product sales. See Note 16.

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 stockholders’ equity.

Recent Accounting Pronouncements

Management does not believe that any recently issued, but not yet effective, accounting standards could have a material effect on the accompanying condensed consolidated 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 May 31, 2023 and August 31, 2022, the amount due to related parties was \$406,683 and \$478,897, respectively. At May 31, 2023, \$325,247 was non-interest bearing, \$21,156 bears interest at 6% per annum, and \$60,280 bears interest at 13.75% per annum. 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.

Note 4 – Accounts Receivables, Net

Accounts receivables, net at May 31, 2023 and August 31, 2022 consisted of the following:

	May 31, 2023	August 31, 2022
Trade receivables	\$ 2,387,505	\$ 1,829,475
Amounts earned but not billed	35,818	180,259
	2,423,323	2,009,734
Allowance for doubtful accounts	(1,095,710)	(992,329)
Accounts receivable, net	\$ 1,327,613	\$ 1,017,405

Note 5 – Inventory

Inventory at May 31, 2023 and August 31, 2022 consisted of the following:

	May 31, 2023	August 31, 2022
Raw materials	\$ 704,191	\$ 1,259,954
Work in process	134,293	139,333
Finished Goods	1,090,957	507,416
	1,929,441	1,906,703
Allowance for slow moving and obsolete inventory	(990,501)	(1,027,670)
Inventory, net	\$ 938,940	\$ 879,033

Note 6 – Other Receivables

Other receivables at May 31, 2023 and August 31, 2022 consisted of the following:

	May 31, 2023	August 31, 2022
Advance to corporation; accrues interest at 12% per annum; unsecured; due January 31, 2024, as amended	73,513	76,272
Advance to corporation; accrues interest at 12% per annum; secured by property and other assets of debtor; due September 1, 2023, as amended	531,589	551,536
Advance to corporation; accrues interest at 10% per annum; secured by assets of debtor; due September 1, 2023, as amended	440,978	457,527
Total other receivables	1,046,080	1,085,335
Current portion	(1,046,080)	(1,085,335)
Long-term portion	\$ -	\$ -

Note 7 – Property and Equipment

Property and equipment at May 31, 2023 and August 31, 2022 consisted of the following:

	May 31, 2023	August 31, 2022
Land	\$ 441,079	\$ 457,631
Building	3,308,094	3,432,232
Leasehold improvements	836,967	868,375
Clinical equipment	1,876,665	1,927,639
Computer equipment	33,328	34,579
Office equipment	44,355	45,406
Furniture and fixtures	38,088	39,518
	6,578,576	6,805,380
Accumulated depreciation	(1,167,138)	(1,004,732)
Total	\$ 5,411,438	\$ 5,800,648

Depreciation expense for the nine months ended May 31, 2023 and 2022 was \$212,579 and \$408,589, respectively.

Certain property and equipment have been used to secure notes payable (See Note 10).

Note 8 – Intangible Assets

Intangible assets at May 31, 2023 and August 31, 2022 consisted of the following:

	May 31, 2023	August 31, 2022
Land use rights	\$ 11,573,321	\$ 11,573,321
Intellectual property	7,479,428	8,059,386
Customer relationships	2,286,313	2,320,154
Brand names	1,918,327	1,990,314
	23,257,389	23,943,175
Accumulated amortization	(6,561,026)	(5,102,556)
Total	\$ 16,696,363	\$ 18,840,619

Amortization expense for the nine months ended May 31, 2023 and 2022 was \$1,505,809 and \$1,940,845, respectively.

Expected amortization expense of intangible assets over the next 5 years and thereafter is as follows:

Twelve Months Ending May 31,

2024	\$ 2,002,272
2025	2,002,272
2026	1,569,690
2027	1,374,673
2028	999,187
Thereafter	8,748,269
Total	\$ 16,696,363

Note 9 – Accrued Expenses

Accrued expenses at May 31, 2023 and August 31, 2022 consisted of the following:

	May 31, 2023	August 31, 2022
Accrued liabilities	\$ 898,009	\$ 884,024
Accrued payroll	244,595	195,214
Unearned revenue	35,641	36,887
	<u>\$ 1,178,245</u>	<u>\$ 1,116,125</u>

Note 10 – Government Loans and Notes Payable

Notes payable at May 31, 2023 and August 31, 2022 consisted of the following:

	May 31, 2023	August 31, 2022
Government loans issued under the Government of Canada’s Canada Emergency Business Account (“CEBA”) program (A).	88,217	91,526
Note payable to the Small Business Administration. The note bears interest at 3.75% per annum, requires monthly payments of \$190 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, 2018; accrues interest at 4.53% per annum; unsecured; annual payments of approximately \$4,000; due December 31, 2028	28,542	29,614
Note payable received May 25, 2023, accruing interest at 18% per 3-months term, unsecured, with principal and interest due 3-month from loan issuance.	73,513	-
Note payable received May 10, 2023, accruing interest at 15% per 4-months term, unsecured, with principal and interest due 4-month from loan issuance.	147,026	-
Total government loans and notes payable	<u>377,618</u>	<u>161,460</u>
Less current portion	<u>(312,672)</u>	<u>-</u>
Long-term portion	<u>\$ 64,946</u>	<u>\$ 161,460</u>

- (A) The Government of Canada launched 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 CAD\$80,000 loan (US\$58,811, at May 31, 2023), which is unsecured, non-interest bearing and due on or before December 31, 2023. If the loan amount is paid on or before December 31, 2023, 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, 2023, the Early Payment Credit will not apply. 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\$29,406 at May 31, 2023) under the same terms.

Future scheduled maturities of outstanding government loans and notes payable are as follows:

Twelve Months Ending May 31,	
2024	\$ 312,672
2025	4,777
2026	4,777
2027	4,777
2028	4,777
Thereafter	45,838
Total	<u>\$ 377,618</u>

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.

On November 14, 2022, the \$16.66m+ convertible notes were amended to provide the holders with conversion rights consisting of a conversion price to the first \$1,000,000 of principal amount of each of the notes by the lower of (i) the conversion price in effect at such time and (ii) 82.0% of the lowest VWAP during the five (5) trading days immediately prior to a conversion date. The Company determined that the conversion features of these notes represented embedded derivatives since the notes are convertible into a variable number of shares upon conversion. On the same day, the Company recorded a derivative liability of \$1,390,380. The fair value of the derivative liability was calculated using the Black-Scholes pricing model with the following assumptions:

- Expected life of 0.58 years;
- Volatility of 148.20%;
- Dividend yield of 0%; and
- Risk free interest rate of 4.55%

The derivative was recorded as a discount on the convertible notes, but only for an amount not in excess of and thus capped by the otherwise undiscounted amount of the convertible notes.

During the nine month period ended May 31, 2023, an aggregate of \$8,396,666 in principal and an aggregate of \$32,559 in accrued interest were converted into 85,278,243 shares of common stock issued to the \$16.66m+ convertible note holders. As a result of the first \$1,000,000 principal conversion, the derivative liability of \$1,390,380 was extinguished and recognized to additional paid-in capital. As of May 31, 2023 and August 31, 2022, the derivative liability balance was \$nil and \$nil, respectively.

During the nine month period ended May 31, 2023, the Company amortized \$4,241,429 of the debt discount and as of May 31, 2023, the unamortized debt discount was \$nil.

During the nine month period ended May 31, 2023, the Company made cash payments in the aggregate amount of \$3,001,442 for the monthly Amortization Payment, \$2,833,888 in principal and \$167,554 in interest, pursuant to the terms and conditions of the \$16.66m+ convertible notes. As of May 31, 2023, the aggregate principal amount owed to the \$16.66m+ convertible note holders is \$nil.

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. On June 1, 2022, the Company made an aggregated payment in full of \$948,874 to Platinum Point Capital LLC, (the "Platinum Note") including all principal and interest owed, on one of the two convertible notes payable. As previously disclosed, on June 1, 2022, the Company and Jefferson Street Capital ("Jefferson") agreed to extend the maturity date of one of the two convertible notes (the "Jefferson Note"), to November 29, 2022 with a principal amount face value of \$946,875 and interest rate that shall accrue at a rate equal to 1% per annum.

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 and 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 is \$760,824 and will be amortized over the life of the \$1.875m convertible notes. The debt discount was fully amortized during the year ended August 31, 2022.

On December 2, 2022, the Company made a partial cash payment of \$200,000 to Jefferson towards the principal 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.

During the nine month period ended May 31, 2023, an aggregate of \$746,875 in principal and an aggregate of \$10,208, in accrued interest were converted into 8,907,097 shares of common stock issued to Jefferson. Effective February 16, 2023, the Jefferson Note was settled.

Novo Integrated – Mast Hill Fund, L.P.

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. The estimated value of the warrants of \$86,327 was determined using the Black-Scholes option pricing model with the following assumptions:

- Expected life of 5.0 years;
- Volatility of 252%;
- Dividend yield of 0%; and
- Risk free interest rate of 4.09%

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.

The principal amount of the \$573,000 convertible notes was proportionately allocated to the convertible note, common stock issued, and the warrants in the amount of \$403,710, \$82,963, and \$86,327, respectively. The amounts allocated to the equity issuances were recorded as a discount to the convertible note and as additional paid in capital. The convertible note contained an original issue discount totaling \$57,300 and the Company also incurred \$70,465 in loan fees in connection with the convertible note. The combined total discount is \$297,055 and will be amortized over the life of the convertible note. During the nine months ended May 31, 2023, the Company amortized \$78,944 of the debt discount and as May 31, 2023, the unamortized debt discount was \$218,111.

Novo Integrated – FirstFire Global Opportunities Fund, LLC

On March 21, 2023, the Company entered into a securities purchase agreement (the “SPA”) with FirstFire Global Opportunities Fund, LLC (“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. The estimated value of the warrants of \$93,811 was determined using the Black-Scholes option pricing model with the following assumptions:

- Expected life of 5.0 years;
- Volatility of 251%;

- Dividend yield of 0%; and
- Risk free interest rate of 3.73%

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.

The principal amount of the \$573,000 convertible notes was proportionately allocated to the convertible note, common stock issued, and the warrants in the amount of \$389,057, \$90,132, and \$93,811, respectively. The amounts allocated to the equity issuances were recorded as a discount to the convertible note and as additional paid in capital. The convertible note contained an original issue discount totaling \$57,300 and the Company also incurred \$35,628 in loan fees in connection with the convertible note.

The effective conversion price was determined to be \$0.1188 based on the allocation of the principal amount and the number of shares to be received upon conversion. As the stock price at the issuance date of \$0.1390 was greater than the effective conversion price, it was determined that there was a beneficial conversion feature ("BCF"). The Company recognized the beneficial conversion feature of \$66,068, equal to the intrinsic value of the conversion option, as a discount to the convertible note and as additional paid in capital.

The combined total discount is \$342,938 and will be amortized over the life of the convertible note. During the nine months ended May 31, 2023, the Company amortized \$66,526 of the debt discount and as May 31, 2023, the unamortized debt discount was \$276,412.

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 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 May 31, 2023 and August 31, 2022, the amount of debentures outstanding was \$912,025 and \$946,250, 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 2031.

The table below presents the lease related assets and liabilities recorded on the Company's condensed consolidated balance sheets as of May 31, 2023 and August 31, 2022:

Classification on Balance Sheet		May 31, 2023	August 31, 2022
Assets			
Operating lease assets	Operating lease right of use assets	\$ 2,096,376	\$ 2,673,934
Total lease assets		<u>\$ 2,096,376</u>	<u>\$ 2,673,934</u>
Liabilities			
Current liabilities			
Operating lease liability	Current operating lease liability	\$ 428,951	\$ 582,088
Noncurrent liabilities			
Operating lease liability	Long-term operating lease liability	1,786,961	2,185,329
Total lease liability		<u>\$ 2,215,912</u>	<u>\$ 2,767,417</u>

Future minimum operating lease payments are as follows:

Twelve Months Ending May 31,	
2024	\$ 601,370
2025	524,288
2026	502,177
2027	495,008
2028	295,839
Thereafter	358,487
Total payments	<u>2,777,169</u>
Amount representing interest	<u>(561,257)</u>
Lease obligation, net	2,215,912
Less lease obligation, current portion	<u>(428,951)</u>
Lease obligation, long-term portion	<u>\$1,786,961</u>

During the nine months ended May 31, 2023, the Company did not enter into any new lease obligation.

The lease expense for the nine months ended May 31, 2023 and 2022 was \$624,246 and \$567,772, respectively. The cash paid under operating leases for the nine months ended May 31, 2023 and 2022 was \$604,387 and \$556,445, respectively. At May 31, 2023, the weighted average remaining lease terms were 2.86 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 condensed consolidated balance sheets at May 31, 2023 and August 31, 2022 is as follows:

	May 31, 2023	August 31, 2022
Cost	\$ 209,457	\$ 209,457
Accumulated amortization	(209,457)	(192,347)
Net book value	<u>\$ -</u>	<u>\$ 17,110</u>

Future minimum finance lease payments are as follows:

Twelve Months Ending May 31,	
2024	\$ 14,054
Total payments	14,054
Amount representing interest	(240)
Lease obligation, net	13,814
Less lease obligation, current portion	(13,814)
Lease obligation, long-term portion	<u>\$ -</u>

Note 14 – Stockholders’ Equity

Convertible Preferred Stock

The Company has authorized 1,000,000 shares of \$0.001 par value convertible preferred stock. At May 31, 2023 and August 31, 2022, there were 0 and 0 convertible preferred shares issued and outstanding, respectively.

Common Stock

The Company has authorized 499,000,000 shares of \$0.001 par value common stock. At May 31, 2023 and August 31, 2022, there were 144,857,518 and 31,180,603 common shares issued and outstanding, respectively.

During the nine months ended May 31, 2023, the Company issued common stock as follows:

- 4,000,000 shares of common stock were issued as offered by the prospectus contained in the Registration Statement on Form S-1 (File No. 333-267401) declared effective by the SEC on October 13, 2022, for an agreed upon purchase price of \$0.50 per unit. The shares were issued on October 18, 2022. The Company sold an aggregate of 4,000,000 units for aggregate gross proceeds of \$2,000,000, consisting of 4,000,000 common stock, 4,000,000 warrants with a three-year term to purchase 4,000,000 shares of common stock at an exercise price of \$0.50 per share, and 4,000,000 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 Company paid a cash fee of \$140,000 equal to 7.0% of the gross proceeds of the offering as well as reimbursed the agent for its accountable expenses, resulting in net proceeds to the Company of \$1,795,000.

The total fair value of the 8,000,000 warrants granted was estimated on the date of the grant to be \$1,137,959. The fair value was determined using the Black-Scholes pricing model with the following assumptions: expected volatility of 149.06% to 206.90%; expected dividend yield of 0%; risk-free interest rate of 2.55% to 2.89%; stock price of \$0.2956; and expected life of 3 to 5 years.

- 36,222 restricted shares of common stock were 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 October 26, 2022.
- 2,916,667 shares of common stock were issued as provided for in an exchange offer and amendment (the “Hudson Bay Exchange Offer and Amendment”) with Hudson Bay, dated November 14, 2022. Pursuant to the terms of the Hudson Bay Exchange Offer and Amendment, the Company exchanged one share of the Company’s common stock for each share of common stock underlying the warrant to purchase common stock, dated as of December 14, 2021, issued by the Company to Hudson Bay. The shares were issued on November 15, 2022.

- 1,757,319 shares of common stock were issued as provided for in an exchange offer and amendment (the “CVI Exchange Offer and Amendment”) with CVI. Pursuant to the terms of the CVI Exchange Offer and Amendment, the Company exchanged one share of the Company’s common stock for each share of common stock underlying the warrant to purchase common stock, dated as of December 14, 2021, issued by the Company to CVI. The shares were issued on November 15, 2022.
- 39,165,890 shares of common stock were issued to a debt holder upon conversion of outstanding debt in the aggregate amount of \$3,825,307 in principal and interest. The shares were issued on various dates during the fiscal quarter ended February 28, 2023.
- 45,036,411 shares of common stock were issued to a debt holder upon conversion of outstanding debt in the aggregate amount of \$4,503,640 in principal and interest. The shares were issued on various dates during the fiscal quarter ended February 28, 2023.
- 8,907,097 shares of common stock were issued to a debt holder upon conversion of outstanding debt in the aggregate amount of \$757,103 in principal and interest. The shares were issued on various dates during the fiscal quarter ended February 28, 2023.
- 650,000 shares of common stock were issued on January 5, 2023 to various warrant holders upon exercise of their 3-year warrants. The warrants were granted on October 18, 2022, under the prospectus contained in the Registration Statement on Form S-1 (File No. 333-267401) declared effective by the SEC on October 13, 2022. The net proceeds were \$65,000.
- 1,159,348 shares of common stock were issued on January 5, 2023 as provided for in the CVI Exchange Offer and Amendment. Pursuant to the terms of the CVI Exchange Offer and Amendment, the Company exchanged one share of the Company’s common stock for each share of common stock underlying the warrant to purchase common stock, dated as of December 14, 2021, issued by the Company to CVI.
- 330,000 shares of common stock were issued on January 12, 2023 to various warrant holders upon exercise of their 5-year warrants. The warrants were granted on October 18, 2022, under the prospectus contained in the Registration Statement on Form S-1 (File No. 333-267401) declared effective by the SEC on October 13, 2022. The net proceeds were \$33,000.
- 330,000 shares of common stock were issued on January 12, 2023 to various warrant holders upon exercise their 3-year warrants. The warrants were granted on October 18, 2022, under the prospectus contained in the Registration Statement on Form S-1 (File No. 333-267401) declared effective by the SEC on October 13, 2022. The net proceeds were \$33,000.
- 3,202,019 restricted shares of common stock were issued for NHL Exchangeable Shares as provided for in the Share Exchange Agreement, which closed on June 24, 2021, in which the Company acquired Acenzia. 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 January 25, 2023.
- 955,000 restricted shares of the Company’s common stock were issued as provided for in the Securities Purchase Agreement, dated February 23, 2023, with Mast Hill. The shares were issued on February 24, 2023.
- 1,075,942 shares of common stock were issued to a debt holder upon conversion of outstanding debt in the aggregate amount of \$100,278 in principal and interest. 537,822 shares were issued on March 6, 2023 and 538,120 shares were issued on March 8, 2023.
- 1,600,000 shares of common stock were issued on March 17, 2023 to various warrant holders upon exercise of their 3-year warrants. The warrants were granted on October 18, 2022, under the prospectus contained in the Registration Statement on Form S-1 (File No. 333-267401) declared effective by the SEC on October 13, 2022. The net proceeds were \$160,000.

- 1,000,000 shares of common stock were issued on March 17, 2023 to various warrant holders upon exercise of their 5-year warrants. The warrants were granted on October 18, 2022, under the prospectus contained in the Registration Statement on Form S-1 (File No. 333-267401) declared effective by the SEC on October 13, 2022. The net proceeds were \$100,000.
- 955,000 restricted shares of the Company’s common stock were issued as provided for in the Securities Purchase Agreement, dated March 21, 2023, with FirstFire. The shares were issued on March 22, 2023.
- 300,000 shares of common stock were issued on May 10, 2023 to various warrant holders upon exercise of their 5-year warrants. The warrants were granted on October 18, 2022, under the prospectus contained in the Registration Statement on Form S-1 (File No. 333-267401) declared effective by the SEC on October 13, 2022. The net proceeds were \$30,000.
- 300,000 shares of common stock were issued on May 11, 2023 to various warrant holders upon exercise of their 3-year warrants. The warrants were granted on October 18, 2022, under the prospectus contained in the Registration Statement on Form S-1 (File No. 333-267401) declared effective by the SEC on October 13, 2022. The net proceeds were \$30,000.

Common Stock to be Issued

As of May 31, 2023, in connection with the acquisition of Terragenx, 1285 Canada, and Poling Taddeo Hovius Physiotherapy Professional Corp, the Company has allotted and is obligated to issue 911,392 shares of the Company’s common stock.

Stock Options

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 authorized 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 May 31, 2023, the 2015 Plan had 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 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 May 31, 2023, 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 is eligible to 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, 2023. As of May 31, 2023, the 2021 Plan had 1,754,665 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, 2022	2,164,235	2.15	2.53	\$ 140,577
Granted	2,000,000	0.13	6.00	
Forfeited	-			
Exercised	-			
Outstanding, May 31, 2023	<u>4,164,235</u>	1.19	3.78	\$ -
Exercisable, May 31, 2023	<u>4,164,235</u>	\$ 1.19	3.78	\$ -

The exercise price for stock options outstanding at May 31, 2023:

Outstanding		Exercisable	
Number of Options	Exercise Price	Number of Options	Exercise Price
227,155	\$ 1.33	227,155	\$ 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
2,000,000	0.13	2,000,000	0.13
<u>4,164,235</u>		<u>4,164,235</u>	

For options granted during the nine months ended May 31, 2023 where the exercise price equaled the stock price at the date of the grant, the weighted-average fair value of such options was \$0.13, and the weighted-average exercise price of such options was \$0.13. No options were granted during the nine months ended May 31, 2023 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.

For options granted during the nine months ended May 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 nine months ended May 31, 2022 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 \$385,335 and \$289,892 during the nine months ended May 31, 2023 and 2022, respectively. At May 31, 2023, the unamortized stock option expense was \$0.

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 nine months ended May 31, 2023 and 2022:

	2023	2022
Risk-free interest rate	3.74%	0.93 to 1.89%
Expected life of the options	6 years	2.5 years
Expected volatility	254%	281%
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, 2022	8,445,264	2.42	3.75	\$ -
Granted	10,000,000	0.13	4.20	
Forfeited	-			
Exercised	(10,343,334)			
Outstanding, May 31, 2023	<u>8,101,930</u>	1.18	3.83	\$ 111,680
Exercisable, May 31, 2023	<u>8,101,930</u>	\$ 1.18	3.83	\$ 111,680

The exercise price for warrants outstanding at May 31, 2023:

Outstanding and Exercisable	
Number of Warrants	Exercise Price
2,611,930	\$ 3.35
3,490,000	0.10
2,000,000	0.25
<u>8,101,930</u>	

Note 15 – Commitments and Contingencies

Litigation

The Company is party to certain legal proceedings from time-to-time incidental to the conduct of its business. These proceedings could result in fines, penalties, compensatory or treble damages or non-monetary relief. 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 condensed 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 unaudited condensed consolidated financial position as of May 31, 2023, results of operations, cash flows or liquidity of the Company.

Note 16 – 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 three and nine months ended May 31, 2023 and 2022:

	<u>Three Months Ended May 31,</u>		<u>Nine Months Ended May 31,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Sales				
Healthcare services	\$ 2,019,869	\$ 2,199,889	\$ 6,075,237	\$ 6,253,089
Product manufacturing and development	1,273,064	11,651,994	2,576,196	13,629,944
Corporate	-	-	617,289	-
	<u>\$ 3,292,933</u>	<u>\$ 13,851,883</u>	<u>\$ 9,268,722</u>	<u>\$ 19,883,033</u>
Gross profit				
Healthcare services	\$ 684,575	\$ 939,542	\$ 2,238,875	\$ 2,499,608
Product manufacturing and development	629,519	1,469,340	1,168,366	2,392,094
Corporate	-	-	617,289	-
	<u>\$ 1,314,094</u>	<u>\$ 2,408,882</u>	<u>\$ 4,024,530</u>	<u>\$ 4,891,702</u>
Loss from operations				
Healthcare services	\$ (145,364)	\$ (239,981)	\$ (516,064)	\$ (616,303)
Product manufacturing and development	(430,322)	336,348	(1,574,441)	(509,342)
Corporate	(854,732)	(1,299,113)	(3,368,683)	(3,561,436)
	<u>\$ (1,430,418)</u>	<u>\$ (1,202,746)</u>	<u>\$ (5,459,188)</u>	<u>\$ (4,687,081)</u>
Depreciation and amortization				
Healthcare services	\$ 31,776	\$ 249,831	\$ 95,338	\$ 393,942
Product manufacturing and development	268,374	266,166	784,724	852,692
Corporate	279,441	367,600	838,326	1,102,800
	<u>\$ 579,591</u>	<u>\$ 881,597</u>	<u>\$ 1,718,388</u>	<u>\$ 2,349,434</u>
Capital expenditures				
Healthcare services	\$ -	\$ -	\$ -	\$ 175,418
Product manufacturing and development	18,870	-	18,870	15,555
Corporate	-	-	-	-
	<u>\$ 18,870</u>	<u>\$ -</u>	<u>\$ 18,870</u>	<u>\$ 190,973</u>
Interest expenses				
Healthcare services	\$ 2,605	\$ 14,532	\$ 70,109	\$ 54,686
Product manufacturing and development	6,965	94,765	11,596	1,067,211
Corporate	-	404,101	158,815	686,413
	<u>\$ 9,570</u>	<u>\$ 513,398</u>	<u>\$ 240,520</u>	<u>\$ 1,808,310</u>
Net loss				
Healthcare services	\$ (145,731)	\$ (252,122)	\$ (579,411)	(663,646)
Product manufacturing and development	(387,468)	(21,153)	(1,563,088)	(2,641,091)
Corporate	(952,096)	(3,470,750)	(7,924,694)	(7,123,887)
	<u>\$ (1,485,295)</u>	<u>\$ (3,744,025)</u>	<u>\$ (10,067,193)</u>	<u>(10,428,624)</u>
Total assets				
Healthcare services	\$ 5,305,028	\$ 5,917,403		
Product manufacturing and development	17,663,180	19,595,269		
Corporate	12,776,822	15,360,168		
	<u>\$ 35,745,030</u>	<u>\$ 40,872,840</u>		
Accounts receivable				
Healthcare services	\$ 696,635	\$ 585,492		
Product manufacturing and development	626,778	419,417		
Corporate	4,200	12,496		
	<u>\$ 1,327,613</u>	<u>\$ 1,017,405</u>		

	\$	1,327,613	\$	1,017,405
Intangible assets				
Healthcare services	\$	128,072	\$	159,453
Product manufacturing and development		4,008,786		5,283,333
Corporate		12,559,505		13,397,833
	\$	<u>16,696,363</u>	\$	<u>18,840,619</u>
Goodwill				
Healthcare services	\$	518,095	\$	537,537
Product manufacturing and development		7,024,700		7,288,307
Corporate		-		-
	\$	<u>7,542,795</u>	\$	<u>7,825,844</u>

Note 17 – Subsequent Events

Mast Hill SPA, Note & Warrant

On June 20, 2023, the Company entered into a securities purchase agreement (the “MH SPA”) with Mast Hill, pursuant to which the Company issued an 12% unsecured promissory note (the “MH Note”) with a maturity date of June 20, 2024 (the “MH Maturity Date”), in the principal sum of \$445,000 (the “MH Principal Sum”). In addition, the Company issued a common stock purchase warrant for the purchase of up to 776,614 shares of the Company’s common stock (the “MH Warrant”) to Mast Hill pursuant to the MH SPA. Pursuant to the terms of the MH Note, the Company agreed to pay the MH Principal Sum to Mast Hill and to pay interest on the principal balance at the rate of 12% per annum. The MH Note carries an OID of \$44,500. Accordingly, on the Closing Date (as defined in the MH SPA), Mast Hill paid the purchase price of \$400,500 in exchange for the MH Note and MH Warrant. Mast Hill may convert the MH 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 MH 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 MH Note, the Company agreed to pay accrued interest monthly as well as the MH Principal Sum as follows: (i) \$44,500 on December 20, 2023, (ii) 44,500 on January 20, 2024, (iii) \$44,500 on February 20, 2024, (iv) \$77,661.43 on March 20, 2024, (v) \$77,661.43 on April 20, 2024, (vi) \$77,661.43 on May 20, 2024, and (vii) all remaining amounts owed under the MH Note on the MH Maturity Date (each of the aforementioned payments are an “MH Amortization Payment”). If the Company fails to make any MH Amortization Payment, then Mast Hill shall have the right to convert the amount of such respective MH Amortization Payment into shares of common stock as provided in the MH Note at the lesser of (i) the then applicable conversion price under the MH Note or (ii) 85% of the lowest VWAP of the common stock on any trading day during the five trading days prior to the respective conversion date.

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

Upon the occurrence of any MH Event of Default, the MH 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 MH Principal Sum then outstanding plus accrued interest multiplied by 125%. Upon the occurrence of an MH Event of Default, additional interest will accrue from the date of the MH Event of Default at the rate equal to the lower of 16% per annum or the highest rate permitted by law.

The MH Warrant is exercisable for five years from June 20, 2023, at an exercise price of \$0.25 per share, subject to adjustment as provided in the MH Warrant. The MH 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 MH 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 MH Note and pursuant to the terms of the MH SPA, the Company issued 741,666 restricted shares of the Company’s common stock (the “MH Commitment Shares”) to Mast Hill at closing. The MH 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 MH Commitment Shares as well as the shares of common stock underlying the MH Note and MH Warrant. In addition to the beneficial ownership limitations provided in the MH Note and MH Warrant, the sum of the number of shares of common stock that may be issued under the MH SPA (including the MH Commitment Shares), MH Note, and MH Warrant shall be limited to 17,720,448 as further described in the MH SPA, unless shareholder approval to exceed such limitation is obtained by the Company.

Zsebok Resignation

On June 28, 2023, the Company entered into a separation and general release agreement (the “Zsebok Agreement”) with Jim Zsebok and RTZ Consulting Group, Inc. (“RTZ”, and collectively with Mr. Zsebok, the “Zsebok Parties”), an entity owned by Mr. Zsebok. Pursuant to the terms of the Zsebok Agreement, all independent contract relationships between the Company and the Zsebok Parties were terminated, and Mr. Zsebok resigned from the position of the Company’s Principal Financial Officer. The Company issued to RTZ (i) 1,000,000 shares of the Company’s common stock pursuant to the Company’s 2021 Equity Incentive Plan; and (ii) 335,000 unregistered shares of the Company’s common stock for the full satisfaction of the Company’s obligations to the Zsebok Parties in connection with such termination and resignation.

Sethi Appointment

On July 7, 2023, the Company’s Board of Directors appointed Vivek “Vik” Sethi, as the Company’s Principal Financial Officer. Mr. Sethi will also serve as the Company’s principal accounting officer.

The Company agreed to pay Mr. Sethi an annual base salary of CAD\$100,000 (approximately \$76,000) in exchange for his services as Principal Financial Officer.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Private Securities Litigation Reform Act of 1995 and Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), provide a safe harbor for forward-looking statements made by or on behalf of the Company. The Company and its representatives may from time to time make written or oral statements that are "forward-looking," including statements contained in this report and other filings with the Securities and Exchange Commission ("SEC") and in our reports and presentations to stockholders or potential stockholders. In some cases, forward-looking statements can be identified by words such as "believe," "expect," "anticipate," "plan," "potential," "continue" or similar expressions. Such forward-looking statements include risks and uncertainties and there are important factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements. These factors, risks and uncertainties can be found in Part I, Item 1A, "Risk Factors," of the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 2022, as the same may be updated from time to time, including in Part II, Item 1A, "Risk Factors," of this Quarterly Report on Form 10-Q.

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 report 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 Quarterly Report on Form 10-Q and the information incorporated by reference in this report to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any statement is based.

Overview of the Company

When used herein, the terms the "Company," "we," "us" and "our" refer to Novo Integrated Sciences, Inc. 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 MiTeled+, Inc. ("MiTeled+"), a joint venture with EK-Tech Solutions Inc. ("EK-Tech"). MiTeled+ will operate, support and expand access and functionality of iTeled+, EK-Tech's enhanced proprietary telehealth platform. MiTeled+, through the iTeled+ 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 Acentzia, 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. During the quarter ended May 31, 2023, revenues from healthcare services and product sales were 61% and 39%, respectively, of the Company’s total revenues for the quarter.

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 quarterly report on Form 10-Q.

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”) 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.

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 settled 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 settled and no amounts remain due and outstanding in respect of the CVI Note.

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 had no immediate effect on the listing or trading of the Company’s common stock on The Nasdaq Capital Market and the common stock continued to trade on The Nasdaq Capital Market under the symbol “NVOS.”

The November Notification Letter provided that the Company had 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.

On May 23, 2023, Nasdaq notified the Company that, although the Company has not yet regained compliance with the minimum bid price requirement, Nasdaq has determined that the Company is eligible for an additional 180 calendar day period, or until November 20, 2023, to regain compliance. The determination was based in part on the Company’s written notice of its intention to cure the deficiency during the second compliance period by effecting a reverse stock split, if necessary.

If the Company does not regain compliance by November 20, 2023, 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.

As of the date of this Quarterly Report on 10-Q, the Company’s common stock continues to trade on Nasdaq under the symbol “NVOS.”

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 Nasdaq Rule 5635(d), 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.

As of May 18, 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, and (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. See “—Share Issuances in Connection with Note Conversions.”

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 \$946,875 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 \$200,000 towards the principal 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 settled.

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 intended 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.

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

On January 25, 2023, 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. Specific to the Company’s acquisition of Acenzia in June 2021, no additional NHL Exchangeable shares remain for exchange to the Company’s common stock.

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. On April 24, 2023, the Company made a monthly interest-only payment to Mast Hill in the amount of \$5,840. On May 23, 2023, the Company made a monthly interest-only payment to Mast Hill in the amount of \$5,652.

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.

On April 21, 2023, the Company made a monthly interest-only payment to FirstFire in the amount of \$5,730. On May 22, 2023, the Company made a monthly interest-only payment to FirstFire in the amount of \$5,730.

RC Consulting Group SPA & Unsecured \$70 Million Note

On April 26, 2023, the Company entered into a securities purchase agreement (the “RC SPA”), dated as of April 26, 2023, with RC Consulting Group LLC in favor of SCP Tourbillon Monaco or registered assigns (the “RC Noteholder”), pursuant to which the Company issued an unsecured 15-year promissory note to the RC Noteholder (the “RC Note”) with a maturity date of April 26, 2038, in the principal sum of \$70,000,000, which amount represents the \$57,000,000 purchase price plus a yield (non-compounding) of 1.52% (zero coupon) per annum from April 26, 2023 until the same becomes due and payable as provided in the RC Note. The RC Note may be prepaid as set forth in the RC Note and ranks pari passu with all unsecured indebtedness of the Company.

Pursuant to the terms of the RC Note, at the RC Noteholder’s option, the sale, conveyance or disposition of all or substantially all of the Company’s assets, or the consolidation, merger or other business combination of the Company with or into any other person(s) when the Company is not the survivor will either: (i) be deemed to be an Event of Default (as defined in the RC Note) pursuant to which the Company will be required to pay to the RC Noteholder upon the consummation of and as a condition to such transaction an amount equal to the Default Amount (as hereinafter defined), or (ii) be treated pursuant to Section 1.6(b) of the RC Note.

The RC Note contains customary covenants for a transaction of this type. Among other things, so long as the RC Note is outstanding, the Company will not enter into any transaction or arrangement structured in accordance with, based upon, or related or pursuant to, in whole or in part, Section 3(a)(10) of the Securities Act of 1933, as amended (a “3(a)(10) Transaction”). In the event that the Company does enter into, or makes any issuance of common stock related to a 3(a)(10) Transaction while the RC Note is outstanding, a liquidated damages charge of 25% of the outstanding principal balance of the RC Note, but not less than \$1,000,000, will be assessed and will become immediately due and payable to the RC Noteholder at its election in the form of a cash payment or added to the balance of the RC Note (under the RC Noteholder’s and the Company’s expectation that this amount will tack back to the date of issuance of the RC Note).

The RC Note contains customary events of default relating to, among other things, payment defaults, breach of representations and warranties, and breach of provisions of the RC SPA or the RC Note.

Upon the occurrence of any Event of Default (as defined in the RC Note), the RC Note will become immediately due and payable, and the Company will pay to the RC Noteholder, in full satisfaction of its obligations thereunder, an amount equal to the principal amount then outstanding plus accrued interest (including any default interest) through the date of full repayment multiplied by 125% (collectively, the “Default Amount”), as well as all costs, including, without limitation, legal fees and expenses, of collection, all without demand, presentment or notice.

The RC SPA contains customary covenants, representations and warranties for a transaction of this type.

Share Issuances in Connection with S-1 Warrant Exercises

During the nine month period ended May 31, 2023, the Company issued 4,510,000 shares of common stock to certain warrant holders upon exercise of their warrants issued pursuant to the prospectus that forms a part of the Company’s Registration Statement on Form S-1 (File No. 333-267401) declared effective by the SEC on October 13, 2022 (the “S-1 Warrants”).

Share Issuances in Connection with Note Conversions

During the nine month period ended May 31, 2023, the Company issued an aggregate of 94,185,340 shares of common stock to certain note holders upon conversion of their notes. As of May 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.

Mast Hill SPA, Note & Warrant

On June 20, 2023, the Company entered into a securities purchase agreement (the “MH SPA”) with Mast Hill, pursuant to which the Company issued an 12% unsecured promissory note (the “MH Note”) with a maturity date of June 20, 2024 (the “MH Maturity Date”), in the principal sum of \$445,000 (the “MH Principal Sum”). In addition, the Company issued a common stock purchase warrant for the purchase of up to 776,614 shares of the Company’s common stock (the “MH Warrant”) to Mast Hill pursuant to the MH SPA. Pursuant to the terms of the MH Note, the Company agreed to pay the MH Principal Sum to Mast Hill and to pay interest on the principal balance at the rate of 12% per annum. The MH Note carries an OID of \$44,500. Accordingly, on the Closing Date (as defined in the MH SPA), Mast Hill paid the purchase price of \$400,500 in exchange for the MH Note and MH Warrant. Mast Hill may convert the MH 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 MH 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 MH Note, the Company agreed to pay accrued interest monthly as well as the MH Principal Sum as follows: (i) \$44,500 on December 20, 2023, (ii) 44,500 on January 20, 2024, (iii) \$44,500 on February 20, 2024, (iv) \$77,661.43 on March 20, 2024, (v) \$77,661.43 on April 20, 2024, (vi) \$77,661.43 on May 20, 2024, and (vii) all remaining amounts owed under the MH Note on the MH Maturity Date (each of the aforementioned payments are an “MH Amortization Payment”). If the Company fails to make any MH Amortization Payment, then Mast Hill shall have the right to convert the amount of such respective MH Amortization Payment into shares of common stock as provided in the MH Note at the lesser of (i) the then applicable conversion price under the MH Note or (ii) 85% of the lowest VWAP of the common stock on any trading day during the five trading days prior to the respective conversion date.

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

Upon the occurrence of any MH Event of Default, the MH 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 MH Principal Sum then outstanding plus accrued interest multiplied by 125%. Upon the occurrence of an MH Event of Default, additional interest will accrue from the date of the MH Event of Default at the rate equal to the lower of 16% per annum or the highest rate permitted by law.

The MH Warrant is exercisable for five years from June 20, 2023, at an exercise price of \$0.25 per share, subject to adjustment as provided in the MH Warrant. The MH 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 MH 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 MH Note and pursuant to the terms of the MH SPA, the Company issued 741,666 restricted shares of the Company's common stock (the "MH Commitment Shares") to Mast Hill at closing. The MH 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 MH Commitment Shares as well as the shares of common stock underlying the MH Note and MH Warrant. In addition to the beneficial ownership limitations provided in the MH Note and MH Warrant, the sum of the number of shares of common stock that may be issued under the MH SPA (including the MH Commitment Shares), MH Note, and MH Warrant shall be limited to 17,720,448 as further described in the MH SPA, unless shareholder approval to exceed such limitation is obtained by the Company.

Zsebok Resignation

On June 28, 2023, the Company entered into a separation and general release agreement (the "Zsebok Agreement") with Jim Zsebok and RTZ Consulting Group, Inc. ("RTZ", and collectively with Mr. Zsebok, the "Zsebok Parties"), an entity owned by Mr. Zsebok. Pursuant to the terms of the Zsebok Agreement, all independent contract relationships between the Company and the Zsebok Parties were terminated, and Mr. Zsebok resigned from the position of the Company's Principal Financial Officer. The Company issued to RTZ (i) 1,000,000 shares of the Company's common stock pursuant to the Company's 2021 Equity Incentive Plan; and (ii) 335,000 unregistered shares of the Company's common stock for the full satisfaction of the Company's obligations to the Zsebok Parties in connection with such termination and resignation.

Sethi Appointment

On July 7, 2023, the Company's Board of Directors appointed Vivek "Vik" Sethi, as the Company's Principal Financial Officer. Mr. Sethi will also serve as the Company's principal accounting officer.

The Company agreed to pay Mr. Sethi an annual base salary of CAD\$100,000 (approximately \$76,000) in exchange for his services as Principal Financial Officer.

For the three months ended May 31, 2023 compared to the three months ended May 31, 2022

Revenues for the three months ended May 31, 2023 were \$3,292,933, representing a decrease of \$10,558,950, or 76%, from \$13,851,883 for the same period in 2022. The decrease in revenue is principally due to the decrease in outsourced product sales and IoNovo Iodine. Acentzia's and Terragenx's revenue for the three months ended May 31, 2023 was \$896,405 and \$5,866, respectively. Revenue from our healthcare services decreased by 8% when comparing the revenue for the three months ended May 31, 2023 to the same period in 2022.

Cost of revenues for the three months ended May 31, 2023 was \$1,978,839, representing a decrease of \$9,464,162, or 83%, from \$11,443,001 for the same period in 2022. Cost of revenues as a percentage of revenue for our healthcare and product sales segments was 66% and 51%, respectively, for the three months ended May 31, 2023. The cost of revenue for our healthcare and product sales segment was 57% and 87%, respectively, for same period in 2022. The decrease in cost of revenues as a percentage of revenue for our product sales segment was principally due to the decrease in product costs.

Operating costs for the three months ended May 31, 2023 were \$2,744,512, representing a decrease of \$867,116, or 24%, from \$3,611,628 for the same period in 2022. The decrease in operating costs was principally due to the decrease in overhead expenses and depreciation and amortization.

Interest expense for the three months ended May 31, 2023 was \$9,570, representing a decrease of \$503,828, or 98%, from \$513,398 for the same period in 2022. The decrease was due to cash payment and conversion of convertible notes to common stock as of May 31, 2023.

Amortization of debt discount for the three months ended May 31, 2023 was \$156,037, representing a decrease of \$1,977,853 from \$2,133,890 for the same period in 2022. The decrease was due to convertible notes which were settled during the period.

Foreign currency transaction gain for the three months ended May 31, 2023 was \$48,333 compared to \$97,654 for the same period in 2022. Acentzia and Terragenx both have outstanding debt recorded on their books that is payable in U.S. Dollars. The exchange rate between the Canadian Dollar and the U.S. Dollar decreased during the third fiscal quarter of 2022; therefore, creating a foreign currency transaction gain as it will require more Canadian Dollars to repay the debt.

Net loss attributed to Novo Integrated Sciences, Inc. for the three months ended May 31, 2023 was \$1,497,330, representing a decrease of \$2,312,724, or 61%, from \$3,810,054 for the same period in 2022. The decrease in net loss was principally due to the decrease in operating expenses.

For the nine months ended May 31, 2023 compared to the nine months ended May 31, 2022

Revenues for the nine months ended May 31, 2023 were \$9,268,722, representing a decrease of \$10,614,311, or 53%, from \$19,883,033 for the same period in 2022. The decrease in revenue was principally due to the decrease in outsourced product sales and IoNovo Iodine. Acentzia's and Terragenx's revenue for the nine months ended May 31, 2023 was \$2,132,554 and \$47,190, respectively. Revenue from our healthcare services increased by 7% when comparing the revenue for the nine months ended May 31, 2023 to the same period in 2022.

Cost of revenues for the nine months ended May 31, 2023 were \$5,244,192, representing a decrease of \$9,747,139, or 65%, from \$14,991,331 for the same period in 2022. Cost of revenues as a percentage of revenue for our healthcare and product sales segments was 57% and 55%, respectively, for the nine months ended May 31, 2023. The cost of revenue for our healthcare and product sales segment was 60% and 82%, respectively, for same period in 2022. The decrease in cost of revenues as a percentage of revenue for our product sales segment was principally due to the decrease in product costs.

Operating costs for the nine months ended May 31, 2023 were \$9,483,718, representing a decrease of \$95,065, or 1%, from \$9,578,783 for the same period in 2022. The decrease in operating costs was principally due to the decrease in overhead expenses and depreciation and amortization.

Interest expense for the nine months ended May 31, 2023 was \$240,520, representing a decrease of \$1,567,790, or 87%, from \$1,808,310 for the same period in 2022. The decrease is due to cash payment and conversion of convertible notes to common stock as of May 31, 2023.

Amortization of debt discount for the nine months ended May 31, 2023 was \$4,386,899, representing an increase of \$732,147 from \$3,654,752 for the same period in 2022. The increase is due to amortization of the debt discounts associated with the convertible notes issued in November 2021, December 2021, February 2023, and March 2023.

Foreign currency transaction gains for the nine months ended May 31, 2023 was \$12,652 compared to foreign currency transaction losses of \$303,714 for the same period in 2022. Acentzia and Terragenx both have outstanding debt recorded on their books that is payable in U.S. Dollars. The exchange rate between the Canadian Dollar and the U.S. Dollar decreased during the third fiscal quarter of 2022; therefore, creating a foreign currency transaction gain as it will require more Canadian Dollars to repay the debt.

Net loss attributed to Novo Integrated Sciences, Inc. for the nine months ended May 31, 2023 was \$10,054,098, representing a decrease of \$367,710, or 4%, from \$10,421,808 for the same period in 2022. The decrease in net loss was principally due to (i) a decrease in overhead expenses associated with the operations of Acentzia, PRO-DIP, and Terragenx which was approximately \$2,742,807 for the nine months ended May 31, 2023, and (ii) a decrease in interest expenses.

Liquidity and Capital Resources

As shown in the accompanying unaudited condensed consolidated financial statements, for the nine months ended May 31, 2023, the Company had a net loss of \$10,067,193.

During the nine months ended May 31, 2023, the Company used cash in operating activities of \$2,014,543 compared to \$6,559,907 of cash used in operating activities for the same period in 2022. The principal reason for the decrease in cash used in operating activities is the net loss incurred and the changes in noncash expenses and changes in operating asset and liability accounts.

During the nine months ended May 31, 2023, the Company used cash from investing activities of \$18,870 compared to cash provided by investing activities of \$162,654 for the same period in 2022. The principal reason for the change is due to no cash acquired with acquisition nor any payments received from other receivables during the nine months ended May 31, 2023 compared to the same period in 2022.

During the nine months ended May 31, 2023, the Company had cash provided by financing activities of \$296,334 compared to \$10,802,477 for the same period in 2022. The principal reason for the decrease in cash provided by financing activities was the repayment of convertible notes of \$3,033,888, repayment of finance leases of \$6,435, repayment to related parties of \$56,649 offset by proceeds received from the sale of units, net of issuance costs of \$1,795,000, proceeds from exercise of warrants of \$451,000 and proceeds from issuance of convertible notes of \$925,306. In the same period for 2022, the Company received \$15,270,000 from the issuance of convertible notes.

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 May 31, 2023, 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, Acentzia, 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 our Harvest Gold Farms and Kainai Cooperative joint ventures during the period ended May 31, 2023. Accordingly, the Company has decided to delay commencing the projects until the 2023 grow season. These joint ventures relate to the development, management, and arrangement of medicinal farming projects involving industrial hemp for medicinal cannabidiol (CBD) applications.

For the three month period ended May 31, 2023, the Company's total revenue from all clinic and eldercare related contracted services was \$2,019,869, representing an 8% decrease of \$180,020 compared to \$2,199,889 during the same period in 2022.

For the nine month period ended May 31, 2023, the Company's total revenue from all clinic and eldercare related contracted services was \$6,075,237, representing a 3% decrease of \$177,852 compared to \$6,253,089 during the same period in 2022.

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 condensed consolidated 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 condensed 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 going concern assessment, 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 \$170,149, 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 \$113,432.

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)
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 \$500,568, and an increase in the estimated useful lives of intangible assets of 20% would result in an annual decrease to amortization expense of approximately \$333,712.

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 condensed consolidated balance sheet and are expensed on a straight-line basis over the lease term in the condensed 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 1285 Canada, 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 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. Based on its review at May 31, 2023, the Company believes there was no additional impairment of its goodwill.

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 condensed consolidated 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 condensed 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 affects 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.

Derivative Financial Instruments

Fair value accounting requires bifurcation of embedded derivative instruments such as conversion features in convertible debt or equity instruments and measurement of their fair value for accounting purposes. In assessing the convertible debt instruments, management determines if the convertible debt host instrument is conventional convertible debt and further if there is a beneficial conversion feature requiring measurement. If the instrument is not considered conventional convertible debt under ASC 470, the Company will continue its evaluation process of these instruments as derivative financial instruments under ASC 815. The Company applies the guidance in ASC 815-40-35-12 to determine the order in which each convertible instrument would be evaluated for derivative classification.

Once determined, derivative liabilities are adjusted to reflect fair value at each reporting period end, with any increase or decrease in the fair value being recorded in results of operations as an adjustment to the fair value of derivatives.

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 condensed 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 condensed consolidated balance sheet.

New Accounting Pronouncements

Management does not believe that any recently issued, but not yet effective, accounting standards could have a material effect on the accompanying condensed consolidated 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 condensed consolidated financial statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 4. 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 May 31, 2023. Based upon such evaluation, the Chief Executive Officer and Principal Financial Officer have concluded that, as of May 31, 2023, 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.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Rule 13a-15 or 15d-15 of the Exchange Act that occurred during the period ended May 31, 2023 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Except as set forth herein, as of the date of this Quarterly Report on Form 10-Q, 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 1A. RISK FACTORS

None.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

On March 22, 2023, the Company issued 955,000 shares of common stock pursuant to a Securities Purchase Agreement, dated March 21, 2023.

The above sale was made pursuant to an exemption from registration as set forth in Regulation S under the Securities Act, Section 4(a)(2) of the Securities Act and/or Rule 506 of Regulation D promulgated under the Securities Act.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

There have been no defaults in any material payments during the covered period.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

(a) None.

(b) There have been no material changes to the procedures by which security holders may recommend nominees to the Company's Board of Directors since the Company last provided disclosure in response to the requirements of Item 407(c)(3) of Regulation S-K.

ITEM 6. EXHIBITS

Exhibit Number	Description of Document
4.1	<u>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 March 1, 2023).</u>
4.2	<u>Common Stock Purchase Warrant, dated as of June 20, 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 June 26, 2023).</u>
10.1	<u>Promissory Note, dated as of February 23, 2023, by and between the Company and Mast Hill Fund, L.P. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on March 1, 2023).</u>
10.2	<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 Company's Current Report on Form 8-K filed with the Commission on March 1, 2023).</u>
10.3	<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 Company's Current Report on Form 8-K filed with the Commission on March 27, 2023).</u>
10.4	<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 Company's Current Report on Form 8-K filed with the Commission on March 27, 2023).</u>
10.5	<u>Securities Purchase Agreement, dated as of April 26, 2023, by and between the registrant and RC Consulting Group LLC in favor of SCP Tourbillion Monaco (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on April 27, 2023).</u>
10.6	<u>Promissory Note, dated as of April 26, 2023, issued by the registrant to RC Consulting Group LLC in favor of SCP Tourbillion Monaco (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Commission on April 27, 2023).</u>
10.7	<u>Promissory Note, dated as of June 20, 2023, by and between Novo Integrated Sciences, Inc. and Mast Hill Fund, L.P. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on June 26, 2023).</u>
10.8	<u>Securities Purchase Agreement, dated as of June 20, 2023, by and between Novo Integrated Sciences, Inc. and Mast Hill Fund, L.P. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on June 26, 2023).</u>
10.9	<u>Separation and General Release Agreement, dated as of June 28, 2023, by and between Novo Integrated Sciences, Inc., Jim Zsebok, and RTZ Consulting Group, Inc. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on July 3, 2023)</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

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has caused this report to be signed on its behalf by the undersigned, thereto duly authorized.

NOVO INTEGRATED SCIENCES, INC.

Dated: July 17, 2023

By: /s/ Robert Mattacchione

Robert Mattacchione
Chief Executive Officer (principal executive officer)

Dated: July 17, 2023

By: /s/ Vivek Sethi

Vivek Sethi
Principal Financial Officer (principal financial officer and principal accounting officer)

CERTIFICATIONS

I, Robert Mattacchione, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended May 31, 2023 of Novo Integrated Sciences, Inc.; and
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report; and
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report; and
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of the annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 17, 2023

By: /s/ Robert Mattacchione

Robert Mattacchione
Chief Executive Officer (principal executive officer)

CERTIFICATIONS

I, Vivek Sethi, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended May 31, 2023 of Novo Integrated Sciences, Inc.; and
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report; and
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report; and
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of the annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 17, 2023

By: /s/ Vivek Sethi
Vivek Sethi
Principal Financial Officer

CERTIFICATION
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Novo Integrated Sciences, Inc. (the “Company”) on Form 10-Q for the quarter ended May 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Robert Mattacchione, Chief Executive Officer of the Company, and I, Vivek Sethi, CPA CA, Principal Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: July 17, 2023

/s/ Robert Mattacchione

Robert Mattacchione, Chief Executive Officer
(principal executive officer)

Date: July 17, 2023

/s/ Vivek Sethi

Vivek Sethi, Principal Financial Officer
(principal financial officer)

This certification accompanies this Quarterly Report on Form 10-Q pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by such Act, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.
