# 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 February 29, 2024**

☐ **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** | **59-3691650** |
| (State or Other Jurisdiction of Incorporation or Organization) | (I.R.S. Employer Identification Number) |
| **11120 NE 2nd Street, Suite 100 Bellevue, Washington** | **98004** |
| (Address of Principal Executive Offices) | (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:

| Title of each class | Trading Symbol(s) | Name of each Exchange on which Registered |
|---|---|---|
| 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 | ☐ | Accelerated filer | ☐ |
| Non-accelerated filer | ☒ | Smaller reporting company | ☒ |
| Emerging growth company | ☐ | | |

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

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

There were 19,054,523 shares of the Registrant's $0.001 par value common stock outstanding as of April 15, 2024.

**Novo Integrated Sciences, Inc.**

**Contents**

**Item 1. Financial Statements.**

**NOVO INTEGRATED SCIENCES, INC.**
**CONDENSED CONSOLIDATED BALANCE SHEETS**
**As of February 29, 2024 (unaudited) and August 31, 2023**

| | February 29, 2024 | August 31, 2023 |
|---|---|---|
| **ASSETS** | | |
| Current Assets: | | |
| Cash and cash equivalents | $ 651,747 | $ 416,323 |
| Accounts receivable, net | 2,153,914 | 1,467,028 |
| Inventory, net | 947,351 | 1,106,983 |
| Other receivables | 1,048,596 | 1,051,584 |
| Prepaid expenses and other current assets | 217,619 | 346,171 |
| Total current assets | 5,019,227 | 4,388,089 |
| | | |
| Property and equipment, net | 5,246,241 | 5,390,038 |
| Intangible assets, net | 15,205,967 | 16,218,539 |
| Right-of-use assets, net | 1,916,900 | 1,983,898 |
| Goodwill | 7,560,936 | 7,582,483 |
| **TOTAL ASSETS** | $ 34,949,271 | $ 35,563,047 |
| | | |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| | | |
| Current Liabilities: | | |
| Accounts payable | $ 2,173,667 | $ 3,513,842 |
| Accrued expenses | 1,328,828 | 1,233,549 |
| Accrued interest (including amounts to related parties) | 477,480 | 382,666 |
| Government loans and notes payable, current portion | 93,488 | 277,405 |
| Convertible notes payable, net of discount of $ 2,004,245 | 1,773,533 | 558,668 |
| Derivative liability | 2,312,921 | – |
| Contingent liability | 27,756 | 61,767 |
| Debentures, related parties | 914,219 | 916,824 |
| Due to related parties | 434,039 | 533,001 |
| Finance lease liability | 5,788 | 11,744 |
| Operating lease liability, current portion | 417,342 | 415,392 |
| Total current liabilities | 9,959,061 | 7,904,858 |
| | | |
| Government loans and notes payable, net of current portion | 64,016 | 65,038 |
| Operating lease liability, net of current portion | 1,639,391 | 1,693,577 |
| Deferred tax liability | 1,396,519 | 1,400,499 |
| **TOTAL LIABILITIES** | 13,058,987 | 11,063,972 |
| | | |
| 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 February 29, 2024 and August 31, 2023, respectively | – | – |
| Common stock; $0.001 par value; 499,000,000 shares authorized; 17,748,320 and 15,759,325 shares issued and outstanding at February 29, 2024 and August 31, 2023, respectively | 17,749 | 15,760 |
| Additional paid-in capital | 96,082,626 | 90,973,316 |
| Common stock to be issued (17,375 and 91,138 shares at February 29, 2024 and August 31, 2023) | 44,443 | 1,217,293 |
| Other comprehensive gain (loss) | 503,381 | (357,383) |
| Accumulated deficit | (74,459,512) | (67,033,041) |
| Total Novo Integrated Sciences, Inc. stockholders' equity | 22,188,687 | 24,815,945 |
| Noncontrolling interest | (298,403) | (316,870) |
| Total stockholders' equity | 21,890,284 | 24,499,075 |
| **TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY** | $ 34,949,271 | $ 35,563,047 |

** The condensed consolidated balance sheets' common stock amounts have been retroactively adjusted to account for the Company's 1:10 reverse stock split, effective November 7, 2023.*

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 Six Months Ended February 29, 2024 and February 28, 2023 (unaudited)**

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | February 29, 2024 | February 28, 2023 | February 29, 2024 | February 28, 2023 |
| Revenues | $ 3,170,592 | $ 2,556,509 | $ 7,061,810 | $ 5,975,789 |
| Cost of revenues | 1,846,506 | 1,585,606 | 3,793,706 | 3,265,353 |
| Gross profit | 1,324,086 | 970,903 | 3,268,104 | 2,710,436 |
| Operating expenses: | | | | |
| Selling expenses | 2,590 | 707 | 12,176 | 8,039 |
| General and administrative expenses | 2,861,264 | 2,757,006 | 8,113,333 | 6,731,167 |
| Total operating expenses | 2,863,854 | 2,757,713 | 8,125,509 | 6,739,206 |
| Loss from operations | (1,539,768) | (1,786,810) | (4,857,405) | (4,028,770) |
| Non-operating income (expense) | | | | |
| Interest income | 2,477 | 2,243 | 4,696 | 4,524 |
| Interest expense | (138,684) | (123,866) | (282,058) | (291,109) |
| Other expense | (308,763) | — | (960,937) | — |
| Change in fair value of derivative liability | 373,339 | — | 958,868 | — |
| Amortization of debt discount | (1,114,573) | (2,740,349) | (2,190,501) | (4,230,862) |
| Foreign currency transaction (loss) gain | (19,588) | 3,620 | (78,946) | (35,681) |
| Total other expense | (1,205,792) | (2,858,352) | (2,548,878) | (4,553,128) |
| Loss before income taxes | (2,745,560) | (4,645,162) | (7,406,283) | (8,581,898) |
| Income tax expense | — | — | — | — |
| Net loss | $ (2,745,560) | $ (4,645,162) | $ (7,406,283) | $ (8,581,898) |
| Net income (loss) attributed to noncontrolling interest | 568 | (23,807) | 20,188 | (25,130) |
| Net loss attributed to Novo Integrated Sciences, Inc. | $ (2,746,128) | $ (4,621,355) | $ (7,426,471) | $ (8,556,768) |
| Comprehensive loss: | | | | |
| Net loss | (2,745,560) | (4,645,162) | (7,406,283) | (8,581,898) |
| Foreign currency translation gain (loss) | 750,067 | (196,683) | 860,764 | (617,665) |
| Comprehensive loss: | $ (1,995,493) | $ (4,841,845) | $ (6,545,519) | $ (9,199,563) |
| Weighted average common shares outstanding - basic and diluted | 17,642,829 | 7,933,492 | 17,184,569 | 5,646,937 |
| Net loss per common share - basic and diluted | $ (0.16) | $ (0.59) | $ (0.43) | $ (1.52) |

** The condensed consolidated statements of operations and comprehensive loss's share and per share amounts have been retroactively adjusted to account for the Company's 1:10 reverse stock split, effective November 7, 2023.*

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 Six Months Ended February 29, 2024 and February 28, 2023 (unaudited)**

| | Common Stock | | Additional Paid-in | Common Stock To | Other Comprehensive | Accumulated | Novo Stockholders' | Noncontrolling | Total |
|---|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Capital | Be Issued | Income (Loss) | Deficit | Equity | Interest | Equity |
| **Balance, August 31, 2023** | **15,759,325** | $ 15,760 | $90,973,316 | $ 1,217,293 | $ (357,383) | $ (67,033,041) | $ 24,815,945 | $ (316,870) | $24,499,075 |
| Cashless exercise of warrants | 245,802 | 246 | 1,323,152 | – | – | – | 1,323,398 | – | 1,323,398 |
| Exercise of warrants for cash | 240,400 | 240 | 240,160 | – | – | – | 240,400 | – | 240,400 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Share issuance for convertible debt settlement | 519,845 | 520 | 577,002 | – | – | – | 577,522 | – | 577,522 |
| Issuance of common stock to be issued | 73,767 | 74 | 1,172,776 | (1,172,850) | – | – | – | – | – |
| Common stock issued for services | 424,080 | 424 | 1,194,976 | – | – | – | 1,195,400 | – | 1,195,400 |
| Reverse stock split share rounding | 27,973 | 28 | (28) | – | – | – | – | – | – |
| Foreign currency translation loss | – | – | – | – | 110,895 | – | 110,895 | (1,919) | 108,976 |
| Net loss | – | – | – | – | – | (4,680,343) | (4,680,343) | 19,620 | (4,660,723) |
| **Balance, November 30, 2023** | 17,291,192 | $ 17,292 | $95,481,354 | $ 44,443 | $ (246,488) | $ (71,713,384) | $ 23,583,217 | $ (299,169) | $23,284,048 |
| | | | | | | | | | |
| Share issuance for convertible debt settlement | 457,128 | 457 | 453,616 | – | – | – | 454,073 | – | 454,073 |
| Foreign currency translation gain | – | – | – | – | 749,869 | – | 749,869 | 198 | 750,067 |
| Fair value of stock options | – | – | 147,656 | – | – | – | 147,656 | – | 147,656 |
| Net loss | – | – | – | – | – | (2,746,128) | (2,746,128) | 568 | (2,745,560) |
| **Balance, February 29, 2024** | 17,748,320 | $ 17,749 | $96,082,626 | $ 44,443 | $ 503,381 | $ (74,459,512) | $ 22,188,687 | $ (298,403) | $21,890,284 |

| | **Common Stock** | | **Additional Paid-in** | **Common Stock To** | **Other Comprehensive** | **Accumulated** | **Novo Stockholders'** | **Noncontrolling** | **Total** |
|---|---|---|---|---|---|---|---|---|---|
| | **Shares** | **Amount** | **Capital** | **Be Issued** | **Income (Loss)** | **Deficit** | **Equity** | **Interest** | **Equity** |
| **Balance, August 31, 2022** | **3,118,063** | $ 3,118 | $66,084,887 | $ 9,474,807 | $ 560,836 | $ (53,818,489) | $ 22,305,159 | $ (257,588) | $22,047,571 |
| Common stock issued for cash, net of offering costs | 400,000 | 400 | 1,794,600 | – | – | – | 1,795,000 | – | 1,795,000 |
| Issuance of common stock to be issued | 3,623 | 4 | 92,362 | (92,366) | – | – | – | – | – |
| Cashless exercise of warrants | 467,399 | 467 | 1,138,583 | – | – | – | 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** | 3,989,085 | $ 3,989 | $69,171,319 | $ 9,382,441 | $ 143,828 | $ (57,753,902) | $ 20,947,675 | $ (262,885) | $20,684,790 |
| | | | | | | | | | |
| Share issuance for convertible debt settlement | 9,310,940 | 9,311 | 9,076,740 | – | – | – | 9,086,051 | – | 9,086,051 |
| Cashless exercise of warrants | 115,935 | 116 | 282,417 | – | – | – | 282,533 | – | 282,533 |
| Exercise of warrants for cash | 131,000 | 131 | 130,869 | – | – | – | 131,000 | – | 131,000 |
| Issuance of common stock to be issued | 320,202 | 320 | 8,164,828 | (8,165,148) | – | – | – | – | – |
| Shares issued with convertible notes | 95,500 | 96 | 82,868 | – | – | – | 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** | 13,962,662 | $ 13,963 | $88,446,635 | $ 1,217,293 | $ (51,993) | $ (62,375,257) | $ 27,250,640 | $ (287,554) | $26,963,086 |

** The condensed consolidated statements of stockholders' equity share amounts have been retroactively adjusted to account for the Company's 1:10 reverse stock split, effective November 7, 2023.*

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 Six Months Ended February 29, 2024 and February 28, 2023 (unaudited)**

| | Six Months Ended | |
|---|---|---|
| | **February 29, 2024** | **February 28, 2023** |
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | |
| Net loss | $ (7,406,283) | $ (8,581,898) |
| Adjustments for non-cash items: | | |
| Depreciation and amortization | 1,140,613 | 1,138,797 |
| Fair value of vested stock options | 147,656 | 121,774 |
| Change in fair value of derivative liability | (958,868) | — |
| Cashless exercise of warrants | 1,323,398 | 1,421,583 |
| Common stock issued for services | 1,195,400 | — |
| Operating lease expense | 308,867 | 419,256 |
| Amortization of debt discount | 2,190,501 | 4,230,862 |
| Foreign currency transaction losses | 78,946 | 35,681 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (691,424) | 57,936 |
| Inventory | 157,116 | (78,898) |
| Prepaid expenses and other current assets | 127,885 | 6,143 |
| Accounts payable | (1,333,031) | 299,881 |
| Accrued expenses | 98,987 | 148,918 |
| Accrued interest | 63,151 | 28,226 |
| Operating lease liability | (308,867) | (405,082) |
| Net cash used in operating activities | (3,865,953) | (1,156,821) |
| | | |
| **CASH FLOWS FROM FINANCING ACTIVITIES:** | | |
| (Repayments to) proceeds from related parties | (64,837) | 6,138 |
| Proceeds from notes payable | 145 | — |
| Repayments of notes payable | (184,475) | — |
| Repayments of finance leases | (5,931) | (4,299) |
| Proceeds from issuance of convertible notes, net | 3,314,153 | 445,235 |
| Repayment of convertible notes | — | (2,977,778) |
| Proceeds from the sale of common stock, net of offering costs | — | 1,795,000 |
| Proceeds from exercise of warrants | 240,400 | 131,000 |
| Net cash provided by (used in) financing activities | 3,299,455 | (604,704) |
| | | |
| Effect of exchange rate changes on cash and cash equivalents | 801,922 | 192,576 |
| | | |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | 235,424 | (1,568,949) |
| | | |
| **CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD** | 416,323 | 2,178,687 |
| | | |
| **CASH AND CASH EQUIVALENTS, END OF PERIOD** | $ 651,747 | $ 609,738 |
| | | |
| **CASH PAID FOR:** | | |
| Interest | $ 158,367 | $ 275,990 |
| Income taxes | $ — | $ — |
| | | |
| **SUPPLEMENTAL NON-CASH INVESTING AND FINANCING ACTIVITIES:** | | |
| Common stock issued for convertible debt settlement | $ 1,031,595 | $ 9,086,051 |
| Debt discount recognized on derivative liability | $ — | $ 1,390,380 |
| Debt discount recognized on convertible note | $ — | $ 297,055 |
| Extinguishment of derivative liability due to conversion | $ — | $ 1,390,380 |
| Common stock issued with convertible notes | $ — | $ 82,963 |
| Warrants issued with convertible notes | $ — | $ 86,327 |

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 Six Months Ended February 29, 2024 and February 28, 2023 (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 1,677,974 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 were 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, and not as a business combination, with NHL being treated as the continuing entity. The historical financial statements presented are the financial statements of NHL. At the closing date of the Exchange, the net assets of the legal acquirer, Novo Integrated Sciences, Inc., were $6,904.

Reverse Stock Split

On November 7, 2023, the Company effectuated a 1-for-10 reverse stock split of its common stock. As a result of the reverse stock split, every 10 shares of issued and outstanding common stock were exchanged for one share of common stock, with any fractional shares being rounded up to the next higher whole share. Unless otherwise noted, the share and per share information in this report have been retroactively adjusted to give effect to the 1-for-10 reverse stock split.

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, 2023, that the Company filed on December 14, 2023. The results of operations for the six months ended February 29, 2024 are not necessarily indicative of the results for the fiscal year ending August 31, 2024.

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 condensed consolidated financial statements are issued. The Company has incurred recurring losses from operations, has negative cash flows from operating activities, and has an accumulated deficit as of February 29, 2024. 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.

In an effort to alleviate these conditions, the Company has considered equity and/or debt financing and/or asset monetization. There can be no assurance that funding would be available, or that the terms of such funding would be on favorable terms if available. Even if the Company is able to obtain additional financing, it may contain undue restrictions on our operations, in the case of debt financing, or cause substantial dilution for our stockholders, in the case of equity financing. 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 ("OCI") 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:

| | February 29, 2024 | February 28, 2023 | August 31, 2023 |
|---|---|---|---|
| Period end: CAD to USD exchange rate | $ 0.7369 | $ 0.7348 | $ 0.7390 |
| Average period: CAD to USD exchange rate | $ 0.7379 | $ 0.7414 | $ 0.7426 |

**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 the 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, valuation of derivative liability, 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 OCI are attributed to the shareholders of the Company and to the noncontrolling interests. Total comprehensive income is attributed to the shareholders of the Company and to the noncontrolling interests even if this results in the non-controlling interests having a deficit balance on consolidation.

Noncontrolling Interest

The Company follows FASB ASC Topic 810, *Consolidation,* which governs the accounting for and reporting of non-controlling interests ("NCIs") in partially owned consolidated subsidiaries and the loss of control of subsidiaries. Certain provisions of this standard indicate, among other things, that NCIs be treated as a separate component of equity, not as a liability, that increases and decreases in the parent's ownership interest that leave control intact be treated as equity transactions rather than as step acquisitions or dilution gains or losses, and that losses of a partially owned consolidated subsidiary be allocated to the NCI even when such allocation might result in a deficit balance.

The net income (loss) attributed to the NCI is separately designated in the accompanying 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 consist of amounts due to the Company from customers as a result of the Company's normal business activities. Accounts receivable is reported on the balance sheets net of an estimated allowance for doubtful accounts. The Company establishes an allowance for doubtful accounts for estimated uncollectible receivables based on historical experience, assessment of specific risk, review of outstanding invoices, and various assumptions and estimates that are believed to be reasonable under the circumstances, and recognizes the provision as a component of selling, general and administrative expenses. Uncollectible accounts are written off against the allowance after appropriate collection efforts have been exhausted and when it is deemed that a balance is uncollectible. The company records the allowance based on past history and if there are doubts on the recoverability. As of February 29, 2024, the Company has recorded an allowance for those balances which it expects to be not recoverable.

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.

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 six months ended February 29, 2024 and the six months ended February 28, 2023, the Company wrote off $nil and $nil, 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 February 29, 2024, 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 review at February 29, 2024, 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 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. Based on its review at February 29, 2024, the Company believes there was no impairment of its goodwill.

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

| | APKA | EFL | Rockland | Acenzia | 1285 Canada | Total |
|---|---|---|---|---|---|---|
| Balance, August 31, 2022 | $ 190,678 | $ 125,088 | $ 221,188 | $7,288,307 | $ 583 | $7,825,844 |
| Foreign currency translation adjustment | (5,928) | (3,892) | (6,878) | (226,645) | (18) | (243,361) |
| Balance, August 31, 2023 | $ 184,750 | $ 121,196 | $ 214,310 | $7,061,662 | $ 565 | $7,582,483 |
| Foreign currency translation adjustment | (525) | (344) | (609) | (20,067) | (2) | (21,547) |
| Balance, February 29, 2024 | $ 184,225 | $ 120,852 | $ 213,701 | $7,041,595 | $ 563 | $7,560,936 |

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.

ASC Topic 820, *Fair Value Measurements and Disclosures*, requires disclosure of the fair value of financial instruments held by the Company. 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 ASC Topic 480, *Distinguishing Liabilities from Equity*, and 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 finance and operating lease liability, current portion of government loans and notes payable, debentures, convertible notes payable, and due to related parties, 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 February 29, 2024 and August 31, 2023, 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 contingent liability which is carried at fair value using Level 1 inputs and derivative liability which is carried at fair value using Level 3 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 the FASB's 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 six months ended February 29, 2024 and the six months ended February 28, 2023. 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 ASC Topic 718, *Compensation – Stock Compensation*. 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*. The calculations within these condensed consolidated financial statements have been retroactively adjusted to reflect the effects of the 1-for-10 reverse stock split that was effective on November 7, 2023. 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 849,116 and 1,246,617 options/warrants outstanding at February 29, 2024 and February 28, 2023, respectively. In addition, at February 29, 2024, there were outstanding convertible notes that could convert into 6,713,153 shares of common stock and there were 17,375 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. Translation gain and losses are classified as an item of other comprehensive loss in the stockholders' equity section of the condensed consolidated balance sheet.

Condensed Consolidated Statements 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. 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 shareholders' equity.

Recent Accounting Pronouncements

From time to time, new accounting pronouncements are issued by FASB or other standard setting bodies that are adopted by the Company as of the specified effective date.

*ASU 2016-13 Current Expected Credit Loss (ASC326)*

In December 2021, the FASB issued an update to ASU No. 2016-13 the Current Expected Credit Losses (CECL) standard (ASC 326), which is designed to provide greater transparency and understanding of credit risk by incorporating estimated, forward-looking data when measuring lifetime Estimated Credit Losses (ECL) and requires enhanced financial statement disclosures. This guidance was adopted during the six months period ended February 29, 2024, and as a result no increase in the allowance is recorded.

**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 February 29, 2024 and August 31, 2023, the amount due to related parties was $434,039 and $533,001, respectively. At February 29, 2024, $ 352,408 was non-interest bearing, $nil bears interest at 6.00% per annum, and $ 81,631 bears interest at 13.75% per annum. At August 31, 2023, $ 451,137 was non-interest bearing, $21,267 bears interest at 6.00% per annum, and $ 60,597 bears interest at 13.75% per annum.



**Note 4 – Accounts Receivables, Net**

Accounts receivables, net at February 29, 2024 and August 31, 2023 consisted of the following:

| | February 29, 2024 | August 31, 2023 |
|---|---|---|
| Trade receivables | $ 2,934,906 | $ 2,223,243 |
| Amounts earned but not billed | 66,541 | 108,000 |
| | 3,001,447 | 2,331,243 |
| Allowance for doubtful accounts | (847,533) | (864,215) |
| Accounts receivable, net | $ 2,153,914 | $ 1,467,028 |

**Note 5 – Inventory**

Inventory at February 29, 2024 and August 31, 2023 consisted of the following:

| | February 29, 2024 | August 31, 2023 |
|---|---|---|
| Raw materials | $ 500,645 | $ 388,391 |
| Work in process | 225,242 | 81,696 |
| Finished goods | 221,464 | 636,896 |
| | 947,351 | 1,106,983 |
| Allowance for slow moving and obsolete inventory | – | – |
| Inventory, net | $ 947,351 | $ 1,106,983 |

During the six months period ended February 29, 2024, the inventory was written off by $ 1,175,306 due to spoilage.

**Note 6 – Other Receivables**

Other receivables at February 29, 2024 and August 31, 2023 consisted of the following:

| | February 29, 2024 | August 31, 2023 |
|---|---|---|
| Advance to corporation; accrues interest at 12% per annum; unsecured; due June 1, 2024, as amended. | $ 73,690 | $ 73,900 |
| Advance to corporation; accrues interest at 12% per annum; secured by property and other assets of debtor; due June 1, 2024, as amended. | 532,867 | 534,386 |
| Advance to corporation; accrues interest at 10% per annum; secured by assets of debtor; due June 1, 2024, as amended. | 442,039 | 443,298 |
| Total other receivables | 1,048,596 | 1,051,584 |
| Current portion | (1,048,596) | (1,051,584) |
| Long-term portion | $ – | $ – |

**Note 7 – Property and Equipment**

Property and equipment at February 29, 2024 and August 31, 2023 consisted of the following:

| | February 29, 2024 | August 31, 2023 |
|---|---|---|
| Land | $ 442,140 | $ 443,400 |
| Building | 3,316,050 | 3,325,500 |
| Leasehold improvements | 838,980 | 841,371 |
| Clinical equipment | 1,911,234 | 1,916,681 |

| | | |
|---|---|---|
| Computer equipment | 33,409 | 33,504 |
| Office equipment | 44,422 | 44,502 |
| Furniture and fixtures | 38,180 | 38,289 |
| | 6,624,415 | 6,643,247 |
| Accumulated depreciation | (1,378,174) | (1,253,209) |
| Total | $ 5,246,241 | $ 5,390,038 |

Depreciation expense for the six months ended February 29, 2024 and February 28, 2023 was $ 137,919 and $134,123 respectively.



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

**Note 8 – Intangible Assets**

Intangible assets at February 29, 2024 and August 31, 2023 consisted of the following:

| | February 29, 2024 | August 31, 2023 |
|---|---|---|
| Land use rights | $ 11,573,321 | $ 11,573,321 |
| Intellectual property | 7,489,707 | 7,497,746 |
| Customer relationships | 2,288,482 | 2,291,058 |
| Brand names | 1,922,941 | 1,928,421 |
| | 23,274,451 | 23,290,546 |
| Accumulated amortization | (8,068,484) | (7,072,007) |
| Total | $ 15,205,967 | $ 16,218,539 |

Amortization expense for the six months ended February 29, 2024 and February 28, 2023 was $ 1,002,693 and $1,004,674, respectively.

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

| Twelve Months Ending February 29, | |
|---|---|
| 2025 | $ 2,004,261 |
| 2026 | 1,745,101 |
| 2027 | 1,441,889 |
| 2028 | 1,257,489 |
| 2029 | 236,439 |
| Thereafter | 8,520,788 |
| Total | $ 15,205,967 |

**Note 9 – Accrued Expenses**

Accrued expenses at February 29, 2024 and August 31, 2023 consisted of the following:

| | February 29, 2024 | August 31, 2023 |
|---|---|---|
| Accrued liabilities | $ 943,333 | $ 961,897 |
| Accrued payroll | 385,495 | 236,218 |
| Unearned revenue | – | 35,434 |
| | $ 1,328,828 | $ 1,233,549 |



**Note 10 – Government Loans and Notes Payable**

Notes payable at February 29, 2024 and August 31, 2023 consisted of the following:

| | February 29, 2024 | August 31, 2023 |
|---|---|---|
| Government loans issued under the Government of Canada's Canada Emergency Business Account ("CEBA") program (A). | 88,573 | 88,680 |
| Note payable to the Small Business Administration. The note bears interest at 3.75% per annum, requires monthly payments of $190 after 12 months from funding and is due 30 years from the date of issuance, and is secured by certain equipment of PRO-DIP. | 40,320 | 40,320 |
| Note payable dated December 3, 2018; accrues interest at 4.53% per annum; unsecured; annual payments of approximately $4,000; due December 2, 2028 | 28,611 | 28,693 |
| 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. The note was repaid on October 26, 2023. | – | 73,900 |
| Note payable received May 10, 2023, accruing interest at 15% per 4-months term, with a first priority security interest in all of Acenzia's production equipment, with principal and interest due 4-month from loan issuance. The note was repaid on October 23, 2023. | – | 110,850 |
| Total government loans and notes payable | 157,504 | 342,443 |
| Less current portion | (93,488) | (277,405) |
| Long-term portion | $ 64,016 | $ 65,038 |

(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$58,952 at February 29, 2024), which is unsecured, non-interest bearing and due on or before January 18, 2024. If the loan amount is paid on or before January 18, 2024, 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 January 18, 2024, the Early Payment Credit will not apply and the lender will automatically extend the term of the loan until December 31, 2026 and will accrue interest on the outstanding amount of the CEBA loan at a fixed rate of 5% per year. 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$29,476 at February 29, 2024) under the same terms.

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

| Twelve Months Ending February 29, | | |
|---|---|---|
| 2025 | $ | 93,488 |
| 2026 | | 6,469 |
| 2027 | | 6,469 |
| 2028 | | 6,469 |
| 2029 | | 6,469 |
| Thereafter | | 38,140 |
| Total | $ | 157,504 |

**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 $20 per share.

In connection with the $16.66m+ convertible notes, the Company issued the note holders warrants to purchase a total of 583,334 shares of the Company's common stock at a price of $20 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 year ended August 31, 2023, an aggregate of $8,396,666 in principal and an aggregate of $32,559 in accrued interest were converted into 8,527,835 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.

During the year ended August 31, 2023, the Company amortized $ 4,241,429 of the debt discount and as of February 29, 2024 and August 31, 2023, the unamortized debt discount was $nil.

During the year ended August 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 February 29, 2024 and August 31, 2023, the aggregate principal amount owed to the $16.66m+ convertible note holders was $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 and extended to November 29, 2022. The $1.875m convertible notes are secured by all assets of the Company. The $1.875m convertible notes are convertible at the option of the note holders to convert into shares of the Company's common stock at $33.50 per share.

In connection with the $1.875m convertible notes, the Company issued the note holders warrants to purchase a total of 22,388 shares of the Company's common stock at a price of $33.50 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 was $ 760,824 and amortized over the life of the $1.875m convertible notes. The debt discount was fully amortized during the year ended August 31, 2022.

On June 1, 2022, the Company paid the balance owed on one of two Terragenx $ 1.875 million convertible notes for an aggregate payment of $ 948,874, including all principal and interest owed. On June 1, 2022, the Company made an interest payment to one of two Terragenx $1.875 million convertible notes for a payment of $192,188 and the note holder agreed to extend the maturity date to November 29, 2022 with a principal amount face value of $937,500 and interest rate that shall accrue at a rate equal to one percent per annum.

On June 1, 2022, the Company and one of the two Terragenx $ 1.875 million convertible note holders (the “Jefferson Note”) entered into that certain letter agreement pursuant to which the maturity date of the Jefferson Note was extended to November 29, 2022. On December 13, 2022, the Company, Terragenx and Jefferson entered into that certain letter agreement pursuant to which, among other things, Jefferson agreed to forbear from entering an Event of Default under the terms of the Jefferson Note and the related transaction documents until December 29, 2022. The Jefferson Note was not paid on December 29, 2022. Accordingly, on December 29, 2022, among other things, the Liquidated Damages Charge, in the aggregate amount of $186,719 was an addition to the Principal Amount due under the Jefferson Note.

Effective February 16, 2023, aside from the Liquidated Damages Charge, the Jefferson Note was paid in full. On August 21, 2023, Jefferson converted the additional Liquidated Damages Charge and the interest thereon. On August 21, 2023, as a result of the conversion, the Company issued 236,511 shares of common stock to Jefferson.

*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 100,000 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 $1.75 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, 2024, 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 $ 2.50 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 95,500 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 2,772,045 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. The debt discount was fully amortized during the year ended August 31, 2023.

During the year ended August 31, 2023, the principal amount of $ 573,000, interest of $ 6,028 and other fees of $ 1,750 were converted into 522,777 shares of common stock of the Company. As of February 29, 2024 and August 31, 2023, the aggregate principal amount owed under the Mast Hill Note was $nil.

On September 18, 2023, Mast Hill fully exercised all warrants granted under the terms and conditions of the $ 573,000 Mast Hill Warrant Agreement, dated February 23, 2023. Under 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, the Company issued 53,567 restricted shares of the Company's common stock.



*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 100,000 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 $1.75 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 $ 2.50 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 95,500 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 1,000,000 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 $ 1.188 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 $1.390 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 six months ended February 29, 2024, the Company amortized $190,209 of the debt discount and as February 29, 2024, the unamortized debt discount was $ nil.

During the six months ended February 29, 2024, the principal amount of $ 573,000 and interest of $ 4,521 were converted into 519,845 shares of common stock of the Company. As of February 29, 2024, the aggregate principal amount owed under the 2023 FirstFire Note was $nil.

On October 12, 2023, FirstFire fully exercised all warrants granted under the terms and conditions of the $ 573,000 FirstFire Warrant Agreement, dated March 21, 2023. Under 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 FirstFire Warrant, the Company issued 53,532 restricted shares of the Company's common stock.

*Novo Integrated – Mast Hill Fund, L.P. $445,000 Note, SPA, and Warrant*

On June 20, 2023, the Company entered into a securities purchase agreement (the "MH $445,000 SPA") with Mast Hill, pursuant to which the Company issued an 12% unsecured promissory note (the "MH $445,000 Note") with a maturity date of June 20, 2024 (the "MH $445,000 Maturity Date"), in the principal sum of $445,000 (the "MH $445,000 Principal Sum"). In addition, the Company issued a common stock purchase warrant for the purchase of up to 77,662 shares of the Company's common stock (the "MH $445,000 Warrant") to Mast Hill pursuant to the MH $445,000 SPA. Pursuant to the terms of the MH $445,000 Note, the Company agreed to pay the MH $445,000 Principal Sum to Mast Hill and to pay interest on the principal balance at the rate of 12% per annum. The MH $445,000 Note carries an OID of $ 44,500. Accordingly, on the Closing Date (as defined in the MH $445,000 SPA), Mast Hill paid the purchase price of $400,500 in exchange for the MH $445,000 Note and MH $445,000 Warrant. Mast Hill may convert the MH $445,000 Note into the Company's common stock at any time at a conversion price equal to $1.75 per share, subject to adjustment as provided in the MH $445,000 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 $445,000 Note, the Company agreed to pay accrued interest monthly as well as the MH $445,000 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 on March 20, 2024, (v) $77,661 on April 20, 2024, (vi) $77,661 on May 20, 2024, and (vii) all remaining amounts owed under the MH $445,000 Note on the MH $445,000 Maturity Date (each of the aforementioned payments are an "MH $445,000 Amortization Payment"). If the Company fails to make any MH $445,000 Amortization Payment, then Mast Hill shall have the right to convert the amount of such respective MH $445,000 Amortization Payment into shares of common stock as provided in the MH $445,000 Note at the lesser of (i) the then applicable conversion price under the MH $445,000 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 $445,000 Note at any time prior to the date that an Event of Default (as defined in the Note) (each an "MH $445,000 Event of Default") occurs at an amount equal to the MH $445,000 Principal Sum then outstanding plus accrued and unpaid interest (no prepayment premium) plus $750 for administrative fees. The MH $445,000 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 $445,000 Note, the MH $445,000 Warrant, or the MH $445,000 SPA.



Upon the occurrence of any MH $445,000 Event of Default, the MH $445,000 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 $445,000 Principal Sum then outstanding plus accrued interest multiplied by 125%. Upon the occurrence of an MH $445,000 Event of Default, additional interest will accrue from the date of the MH $445,000 Event of Default at the rate equal to the lower of 16% per annum or the highest rate permitted by law.

The MH $445,000 Warrant is exercisable for five years from June 20, 2023, at an exercise price of $ 2.50 per share, subject to adjustment as provided in the MH $445,000 Warrant. The MH $445,000 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 $445,000 Warrant and the exercise price in case of future dilutive offerings, subject to certain customary exempt transactions. The estimated value of the warrants of $77,856 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 3.96%

As additional consideration for the purchase of the MH $445,000 Note and pursuant to the terms of the MH $445,000 SPA, the Company issued 74,167 restricted shares of the Company's common stock (the "MH $445,000 Commitment Shares") to Mast Hill at closing. The MH $445,000 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 $445,000 Commitment Shares as well as the shares of common stock underlying the MH $445,000 Note and MH $445,000 Warrant. In addition to the beneficial ownership limitations provided in the MH $445,000 Note and MH $445,000 Warrant, the sum of the number of shares of common stock that may be issued under the MH $445,000 SPA (including the MH $445,000 Commitment Shares), MH $445,000 Note, and MH $445,000 Warrant shall be limited to 1,772,045 as further described in the MH $445,000 SPA, unless shareholder approval to exceed such limitation is obtained by the Company.

The principal amount of the $445,000 convertible notes was proportionately allocated to the convertible note, common stock issued, and the warrants in the amount of $292,351, $74,793, and $77,856, 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 $44,500 and the Company also incurred $39,904 in loan fees in connection with the convertible note.

The effective conversion price was determined to be $1.150 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 $1.535 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 $97,978, 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 $335,031 and was going to be amortized over the life of the convertible note. During the six months ended February 29, 2024, the Company amortized $105,523 of the debt discount.

Specific to the MH $445,000 Note, on July 20, 2023, the Company made a monthly interest payment of $ 4,243. On August 21, 2023, the Company made a monthly interest payment of $4,535. On September 21, 2023, the Company made a monthly interest payment of $ 4,535. On October 20, 2023, the Company made a monthly interest payment of $4,389.

On October 23, 2023, Mast Hill fully exercised all warrants granted under the terms and conditions of the $ 445,000 Mast Hill Warrant Agreement, dated June 20, 2023. Under 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, the Company issued 138,703 restricted shares of the Company's common stock.

On December 21, 2023, the principal amount of $445,000 and interest of $9,071 on the MH $445,000 Note were converted into 457,128 shares of the Company's common stock. Accordingly, the MH $445,000 Mast Hill Note was paid in full. As a result, the remaining unamortized debt discount was amortized on conversion date and as at February 29, 2024, the unamortized debt discount was $nil.

*September 2023 Mast Hill SPA*

On September 12, 2023, the Company entered into a securities purchase agreement (the "September 2023 Mast Hill SPA") with Mast Hill Fund, L.P. ("Mast Hill"), pursuant to which the Company issued an 12% promissory note (the "September 2023 Mast Hill Note") with a maturity date of September 12, 2024 (the "September 2023 Mast Hill Maturity Date"), in the principal sum of $ 3,500,000. Pursuant to the terms of the September 2023 Mast Hill Note, the Company agreed to pay the principal sum to Mast Hill and to pay interest on the principal balance at the rate of 12% per annum. The September 2023 Mast Hill Note carries an original issue discount ("OID") of $350,000. Accordingly, on the closing date, Mast Hill paid the purchase price of $ 3,150,000 in exchange for the September 2023 Mast Hill Note. Mast Hill may convert the September 2023 Mast Hill Note into shares of the Company's common stock at any time at a conversion price equal to the lesser of (i) $4.50 or (ii) 91.5% of the lowest volume weighted average price of the Company's common stock on any trading day during the five trading day period prior to the respective conversion date, subject to adjustment as provided in the September 2023 Mast Hill Note (including but not limited to price protection provisions in case of future dilutive offerings, subject to certain customary exempt transactions) as well as beneficial ownership limitations.

Pursuant to the terms of the September 2023 Mast Hill Note, the Company agreed to pay the principal sum and accrued interest as follows: (i) all accrued interest on December 12, 2023, (ii) $350,000 plus accrued interest on March 12, 2024, (iii) $350,000 plus accrued interest on April 12, 2024, (iv) $350,000 plus accrued interest on May 12, 2024, (v) $595,000 plus accrued interest on June 12, 2024, (vi) $595,000 plus accrued interest on July 12, 2024, (vii) $595,000 plus accrued interest on August 12, 2024, and (viii) all remaining amounts owed under the September 2023 Mast Hill Note on the September 2023 Mast Hill Maturity Date (each of the aforementioned payments is an "Amortization Payment"). If the Company fails to make any Amortization Payment, then Mast Hill will have the right to convert the amount of such respective Amortization Payment into shares of common stock as provided in the September 2023 Mast Hill Note at the lesser of (i) the then applicable conversion price under the September 2023 Mast Hill Note or (ii) 85% the lowest volume weighted average price of the Company's common stock on any trading day during the five trading day period prior to the respective conversion date.

The Company may prepay the September 2023 Mast Hill Note at any time prior to the date that an Event of Default (as defined in the 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 September 2023 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 September 2023 Mast Hill Note or September 2023 Mast Hill SPA.

Upon the occurrence of any Event of Default, the September 2023 Mast Hill Note shall become immediately due and payable and the Company will pay to Mast Hill an amount equal to the 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 September 2023 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 common stock underlying the September 2023 Mast Hill Note. Further, pursuant to the September 2023 Mast Hill SPA, the Company agreed to transfer its rights to the charges/mortgages evidenced by Instrument Nos. CE925256 (in the amount of CDN$1,600,000) and CE888785 (in the amount of CDN$1,800,000) on the property located at 1580 Rossi Drive, Tecumseh, Ontario, Canada, to Mast Hill as security for the Company's repayment of the September 2023 Mast Hill Note. In addition to the beneficial ownership limitations provided in the September 2023 Mast Hill Note, the sum of the number of shares of common stock that may be issued under the September 2023 Mast Hill SPA and September 2023 Mast Hill Note shall be limited to 1,772,045 as further described in the September 2023 Mast Hill SPA, unless shareholder approval to exceed such limitation is obtained by the Company.



The Company's subsidiary, Acenzia Inc. ("Acenzia"), entered into a guaranty with Mast Hill on September 12, 2023. Acenzia guaranteed the repayment of the September 2023 Mast Hill Note and granted Mast Hill a security interest in Acenzia's assets, including but not limited to, the property located at 1580 Rossi Drive, Tecumseh, Ontario, Canada.

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 September 12, 2023, the Company recorded a derivative liability of $3,071,653. The fair value of the derivative liability was calculated using the Black-Scholes pricing model with the following assumptions:

- Expected life of 1 year;
- Volatility of 182.17%;
- Dividend yield of 0%; and
- Risk free interest rate of 5.42%

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 note.

As at February 29, 2024, the fair value of the derivative liability was $ 2,141,317 and for the six months ended February 29, 2024, the Company recorded a gain of $1,905,481 from the change in fair value of derivative liability as non-operating income in the condensed consolidated statements of operations and comprehensive loss. The fair value of the derivative liability was calculated using the Black-Scholes pricing model with the following assumptions:

- Expected life of 0.54 years;
- Volatility of 191.88%;
- Dividend yield of 0%; and
- Risk free interest rate of 5.01%

The September 2023 Mast Hill Note contained a discount on note of $3,500,000. The total discount will be amortized over the life of the September 2023 Mast Hill Note.

During the six months ended February 29, 2024, the Company amortized $ 1,625,683 of the debt discount and as February 29, 2024, the unamortized debt discount was $1,874,317.

On December 12, 2023, the Company made an interest-only payment of $104,712 to Mast Hill pursuant to the terms of the September 2023 Mast Hill Note.

*September 2023 FirstFire SPA & Note*

On September 18, 2023, the Company entered into a securities purchase agreement (the "September 2023 FirstFire SPA") with FirstFire Global

Opportunities Fund, L.P. (“FirstFire”), pursuant to which the Company issued an 12% promissory note (the “September 2023 FirstFire Note”) with a maturity date of September 18, 2024, in the principal sum of $ 277,778. Pursuant to the terms of the September 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 September 2023 FirstFire Note carries an OID of $27,778. Accordingly, on the closing date, FirstFire paid the purchase price of $ 250,000 in exchange for the September 2023 FirstFire Note. FirstFire may convert the September 2023 FirstFire Note into the Company’s common stock, at any time at a conversion price equal to the lesser of (i) $4.50 or (ii) 91.5% of the lowest volume weighted average price of the Company’s common stock on any trading day during the five trading day period prior to the respective conversion date, subject to adjustment as provided in the September 2023 FirstFire Note (including but not limited to price protection provisions in case of future dilutive offerings, subject to certain customary exempt transactions) as well as beneficial ownership limitations.



Pursuant to the terms of the September 2023 FirstFire Note, the Company agreed to pay the principal sum and accrued interest as follows: (i) all accrued interest on December 18, 2023, (ii) $27,778 plus accrued interest on March 18, 2024, (iii) $ 27,778 plus accrued interest on April 18, 2024, (iv) $ 27,778 plus accrued interest on May 18, 2024, (v) $47,222 plus accrued interest on June 18, 2024, (vi) $ 47,222 plus accrued interest on July 18, 2024, (vii) $47,222 plus accrued interest on August 18, 2024, and (viii) all remaining amounts owed under the September 2023 FirstFire Note on the maturity date (each of the aforementioned payments is a “FirstFire Amortization Payment”). If the Company fails to make any FirstFire Amortization Payment, then FirstFire shall have the right to convert the amount of such respective FirstFire Amortization Payment into shares of common stock as provided in the September 2023 FirstFire Note at the lesser of (i) the then applicable conversion price under the September 2023 FirstFire Note or (ii) 85% the lowest volume weighted average price of the Company’s common stock on any trading day during the five trading day period prior to the respective conversion date.

The Company may prepay the September 2023 FirstFire Note at any time prior to the date that an event of default 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 September 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 September 2023 FirstFire Note or September 2023 FirstFire SPA.

Upon the occurrence of any event of default, the September 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%. 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 September 2023 FirstFire 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 common stock underlying the September 2023 FirstFire Note. In addition to the beneficial ownership limitations provided in the September 2023 FirstFire Note, the sum of the number of shares of common stock that may be issued under the September 2023 FirstFire SPA and September 2023 FirstFire Note shall be limited to 480,156 as further described in the September 2023 FirstFire SPA, unless shareholder approval to exceed such limitation is obtained by the Company.

Acenzia entered into a guaranty with FirstFire on September 18, 2023. Acenzia guaranteed the repayment of the September 2023 FirstFire Note and granted FirstFire a security interest in Acenzia’s assets, including but not limited to the property located at 1580 Rossi Drive, Tecumseh, Ontario, Canada, which is junior in priority to the security interest granted by Acenzia to FirstFire.

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 September 18, 2023, the Company recorded a derivative liability of $200,136. The fair value of the derivative liability was calculated using the Black-Scholes pricing model with the following assumptions:

- Expected life of 1 year;
- Volatility of 180.36%;
- Dividend yield of 0%; and
- Risk free interest rate of 5.44%

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 note.

As at February 29, 2024, the fair value of the derivative liability was $ 171,604 and for the six months ended February 29, 2024, the Company recorded a gain of $28,532 from the change in fair value of derivative liability as non-operating income in the condensed consolidated statements of operations and comprehensive loss. The fair value of the derivative liability was calculated using the Black-Scholes pricing model with the following assumptions:

- Expected life of 0.55 years;
- Volatility of 191.88%;
- Dividend yield of 0%; and
- Risk free interest rate of 5.01%



The September 2023 FirstFire Note contained a discount on note of $ 235,414. The total discount will be amortized over the life of the September 2023 FirstFire Note.

During the six months ended February 29, 2024, the Company amortized $ 105,486 of the debt discount and as February 29, 2024, the unamortized debt discount was $129,928.

On December 18, 2023, the Company made an interest-only payment of $ 8,333 to FirstFire pursuant to the terms of the September 2023 FirstFire Note.

**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.

During the six months ended February 29, 2024, the Company could not make repayments to the debenture holders in accordance with the revised agreed repayment schedule, and is therefore in breach of the loan agreement as at period end. Consequently, the Company has reclassified the entire outstanding balance of the loan to current liabilities. At this stage the Company is under discussions to formalize the arrangements to make the payment to the holders.

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 February 29, 2024 and August 31, 2023, the amount of debentures outstanding was $ 914,219 and $916,824, 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 February 29, 2024 and August 31, 2023:

| | Classification on Balance Sheet | February 29, 2024 | August 31, 2023 |
|---|---|---|---|
| **Assets** | | | |
| Operating lease assets | Operating lease right of use assets | $ 1,916,900 | $ 1,983,898 |
| Total lease assets | | $ 1,916,900 | $ 1,983,898 |
| | | | |
| **Liabilities** | | | |
| Current liabilities | | | |
| Operating lease liability | Current operating lease liability | $ 417,342 | $ 415,392 |
| Noncurrent liabilities | | | |
| Operating lease liability | Long-term operating lease liability | 1,639,391 | 1,693,577 |
| Total lease liability | | $ 2,056,733 | $ 2,108,969 |

Future minimum operating lease payments are as follows:

| Twelve Months Ending February 29, | |
|---|---|
| 2025 | $ 579,401 |
| 2026 | 534,994 |
| 2027 | 550,749 |
| 2028 | 393,723 |
| 2029 | 240,903 |
| Thereafter | 239,381 |
| Total payments | 2,539,151 |
| Amount representing interest | (482,418) |
| Lease obligation, net | 2,056,733 |
| Less lease obligation, current portion | 417,342 |
| Lease obligation, long-term portion | $ 1,639,391 |

During the six months ended February 29, 2024, the Company entered into two new leases.

The lease expense for the six months ended February 29, 2024 and February 28, 2023 was $ 308,867 and $419,256, respectively. The cash paid under operating leases for the six months ended February 29, 2024 and February 28, 2023 was $293,729 and $405,082, respectively. At February 29, 2024, the weighted average remaining lease terms were 3.89 years and the weighted average discount rate was 8.68%.

*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 February 29, 2024 and August 31, 2023 was as follows:

| | February 29, 2024 | August 31, 2023 |
|---|---|---|
| Cost | $ 209,457 | $ 209,457 |
| Accumulated amortization | (209,457) | (209,457) |
| Net book value | $ – | $ – |

Future minimum finance lease payments were as follows:

| Twelve Months Ending February 29, | |
|---|---|
| 2025 | $ 5,854 |
| Total payments | 5,854 |

| | |
|---|---|
| Amount representing interest | (66) |
| Lease obligation, net | 5,788 |
| Less lease obligation, current portion | (5,788) |
| Lease obligation, long-term portion | $ – |



**Note 14 – Stockholders' Equity**

*Reverse Stock Split*

On November 6, 2023, the Company effectuated a 1-for-10 reverse stock split (the "Reverse Stock Split") effective immediately after the close of trading on the Nasdaq Capital Market ("Nasdaq") and the Company's common stock began trading on Nasdaq on a Reverse Stock Split-adjusted basis on November 7, 2023. As a result of the Reverse Stock Split, every 10 pre-split shares of common stock outstanding became one share of common stock, with fractional shares rounded up to the next higher whole share. The Reverse Stock Split did not affect the number of authorized shares of common stock, the par value of the common stock, or modify any rights or preferences of shares of the Company's common stock. Proportionate adjustments will be made to the exercise prices and the number of shares underlying the Company's outstanding equity awards and warrants, as applicable.

*Convertible Preferred Stock*

The Company has authorized 1,000,000 shares of $0.001 par value convertible preferred stock. At February 29, 2024 and August 31, 2023, there were nil convertible preferred shares issued and outstanding.

*Common Stock*

The Company has authorized 499,000,000 shares of $0.001 par value common stock. At February 29, 2024 and August 31, 2023, there were 17,748,320 and 15,759,325 common shares issued and outstanding, respectively.

During the six-month period ended February 29, 2024, the Company issued common stock as follows:

- 80,200 shares of common stock were issued to various warrant holders upon exercise of their 3-year warrants. The warrants were issued 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 $80,200. The shares were issued on various dates during the 3-month period.

- 160,200 shares of common stock were issued to various warrant holders upon exercise of their 5-year warrants. The warrants were issued 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 $160,200. The shares were issued on various dates during the 3-month period.

- 75,000 restricted shares of common stock were issued as consideration pursuant to a consulting agreement. The fair value was determined based on the market price of the Company's common stock on the date of issuance. The shares were issued on September 5, 2023.

- 53,567 shares were issued to Mast Hill upon the cashless exercise of all warrants. The warrants were issued on February 23, 2023 under the terms and conditions of the warrant agreement between the Company and Mast Hill in connection with the $573,000 promissory note issued, by the Company to Mast Hill, on February 23, 2023. The shares were issued on September 18, 2023.

- 75,000 restricted shares of common stock were issued as consideration pursuant to a consulting agreement. The fair value was determined based on the market price of the Company's common stock on the date of issuance. The shares were issued on September 18, 2023.

- 519,845 restricted shares of common stock were issued to FirstFire upon conversion of outstanding debt pursuant to the terms of the securities purchase agreement between FirstFire and the Company. The debt amount converted consisted of the principal amount of $573,000 and interest of $4,521, for a total amount of $577,521. The shares were issued on September 21, 2023.



- 75,000 restricted shares of common stock were issued as consideration pursuant to a consulting agreement. The fair value was determined based on the market price of the Company's common stock on the date of issuance. The shares were issued on October 3, 2023.

- 73,767 restricted shares of common stock were issued in exchange for certain non-voting special shares of NHL, previously issued in connection with NHL's Share Exchange Agreement with the Terragenx shareholders, the Company's Asset Purchase Agreement with Mr. Terrence Mullins, and an employment agreement with Mr. Terrence Mullins, each of which closed on November 17, 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 9, 2023.

- 53,532 shares of common stock were issued to FirstFire upon the cashless exercise of all warrants. The warrants were issued on March 21, 2023 under the terms and conditions of the warrant agreement between the Company and Mast Hill in connection with the $573,000 promissory note issued by the Company to FirstFire, on March 21, 2023. The shares were issued on October 12, 2023.

- 75,000 restricted shares of common stock were issued as consideration pursuant to a consulting agreement. The fair value was determined based on the market price of the Company's common stock on the date of issuance. The shares were issued on October 18, 2023.

- 138,703 shares of common stock were issued to Mast Hill upon the cashless exercise of all warrants. The warrants were granted on June 20, 2023 under the terms and conditions of the warrant agreement between the Company and Mast Hill in connection with the $445,000 promissory note issued, by the Company to Mast Hill, on June 20, 2023. The shares were issued on October 23, 2023.

- 75,000 restricted shares of common stock were issued as consideration pursuant to a consulting agreement. The fair value was determined based on the market price of the Company's common stock on the date of issuance. The shares were issued on November 8, 2023.

- 30,675 restricted shares of common stock were issued pursuant to the terms and conditions of an executive agreement, dated November 15, 2022, between NHL and an officer of NHL. The fair value was determined based on the market price of the Company's common stock on the date of issuance. The shares were issued on November 21, 2023.

- 18,405 restricted shares of common stock were issued pursuant to the terms and conditions of an executive agreement, dated November 15, 2022, between NHL and an officer of NHL. The fair value was determined based on the market price of the Company's common stock on the date of issuance. The shares were issued on November 21, 2023.

- 27,973 shares of common stock were issued in lieu of fractional shares resulting from the Company's 1-for-10 reverse stock split of its common stock, effective November 7, 2023. As a result of the reverse stock split, every 10 shares of issued and outstanding common stock were exchanged for one share of common stock, with any fractional shares being rounded up to the next higher whole share.

- 457,128 shares of common stock were issued to Mast Hill upon conversion of outstanding debt pursuant to the terms of the securities purchase agreement between Mast Hill and the Company. The debt amount converted consisted of the principal amount of $445,000 and interest of $9,071, for a total amount of $454,071. The shares were issued on December 21, 2023.

<u>Common Stock to be Issued</u>

As of February 29, 2024, in connection with the acquisition of 1285 Canada and Poling Taddeo Hovius Physiotherapy Professional Corp, the Company has allotted and is obligated to issue 17,375 shares of the Company's common stock. As of February 29, 2024, the fair value of the shares to be issued was $44,443.



*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 authorizes the issuance of up to 50,000 shares of common stock to employees, officers, directors or independent consultants of the Company, provided that no person can be granted shares under the 2015 Plan for services related to raising capital or promotional activities. During the six months ended February 29, 2024, the Company did not grant any awards under the 2015 Plan. The Company does not intend to issue any additional grants under the 2015 Plan.

On January 16, 2018, the Company's Board of Directors and stockholders holding a majority of the Company's outstanding common stock approved the Novo Integrated Sciences, Inc. 2018 Incentive Compensation Plan (the "2018 Plan"). Under the 2018 Plan, 100,000 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. During the six months ended February 29, 2024, the 2018 Plan had 86,490 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 450,000 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 may be cumulatively increased on January 1, 2022 and on each subsequent January 1 through and including January 1, 2024, by a number of shares equal to the smaller of (i) 3% of the number of shares of common stock issued and outstanding on the immediately preceding December 31, or (ii) an amount determined by our Board of Directors. The Company chose not to cumulatively increase the shares authorized for issuance under the 2021 Plan, effective January 1, 2022, January 1, 2023, and January 1, 2024. As of February 29, 2024, the 2021 Plan had 75,463 shares available for award; however, the Company does not intend to issue any additional grants under the 2021 Plan.

On July 26, 2023 and September 29, 2023, the Company's Board of Directors and stockholders, respectively, approved the Novo Integrated Sciences, Inc. 2023 Equity Incentive Plan (the "2023 Plan"). Under the 2023 Plan, a total of 2,500,000 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. As of February 29, 2024, the 2023 Plan had 2,300,000 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, 2023 | 371,423 | 11.44 | 3.98 | $ 16,000 |
| Granted | 200,000 | 0.78 | 5.88 | |
| Expired | (10,500) | 17.62 | | |
| Exercised | – | | | |
| Outstanding, February 29, 2024 | 560,923 | 7.52 | 3.70 | $ – |
| Exercisable, February 29, 2024 | 560,923 | $ 7.52 | 3.70 | $ – |



The exercise price for stock options outstanding at February 29, 2024:

| Outstanding | | Exercisable | |
|---|---|---|---|
| Number of Options | Exercise Price | Number of Options | Exercise Price |
| 22,715 | $ 13.30 | 22,715 | $ 13.30 |
| 44,200 | 16.00 | 44,200 | 16.00 |
| 4,800 | 18.70 | 4,800 | 18.70 |
| 77,500 | 30.00 | 77,500 | 30.00 |
| 7,260 | 38.00 | 7,260 | 38.00 |
| 500 | 50.00 | 500 | 50.00 |
| 3,948 | 19.00 | 3,948 | 19.00 |
| 200,000 | 1.32 | 200,000 | 1.32 |
| 200,000 | 0.78 | 200,000 | 0.78 |

| | |
|---|---|
| 560,923 | 560,923 |

200,000 options were granted during the six months ended February 29, 2024 while no options were granted during the six months ended February 28, 2023.

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 $147,656 and $121,774 during the six months ended February 29, 2024 and February 28, 2023, respectively. At February 29, 2024, the unamortized stock option expense was $nil.

*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, 2023 | 806,254 | $ 12.05 | 3.71 | $ 106,960 |
| Granted | – | | | |
| Forfeited | – | | | |
| Exercised | (518,061) | | | |
| Outstanding, February 29, 2024 | 288,193 | $ 30.46 | 3.21 | $ – |
| Exercisable, February 29, 2024 | 288,193 | $ 30.46 | 3.21 | $ – |

The exercise price for warrants outstanding at February 29, 2024:

| Outstanding and Exercisable | |
|---|---|
| Number of Warrants | Exercise Price |
| 261,193 | $ 33.50 |
| 27,000 | 1.00 |
| 288,193 | |



**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 February 29, 2024, results of operations, cash flows or liquidity of the Company.

During the period ended February 29, 2024, the Company incurred $ 652,174 included in other expense which was primarily a result of a repayment for an overpayment received from a former customer. The Company's management does not expect any additional repayments or remaining obligations to this former customer.

**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 six months ended February 29, 2024 and February 28, 2023:

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | February 29, 2024 | February 28, 2023 | February 29, 2024 | February 28, 2023 |
| **Sales** | | | | |
| Healthcare services | $ 2,103,595 | $ 2,034,154 | $ 4,148,105 | $ 4,055,368 |
| Product manufacturing and development | 1,066,997 | 512,654 | 2,835,455 | 1,303,132 |
| Corporate | – | 9,701 | 78,250 | 617,289 |
| Sales | $ 3,170,592 | $ 2,556,509 | $ 7,061,810 | $ 5,975,789 |
| **Gross profit** | | | | |
| Healthcare services | $ 783,392 | $ 770,269 | $ 1,459,808 | $ 1,554,300 |
| Product manufacturing and development | 540,694 | 190,933 | 1,730,046 | 538,847 |
| Corporate | – | 9,701 | 78,250 | 617,289 |
| Gross profit | $ 1,324,086 | $ 970,903 | $ 3,268,104 | $ 2,710,436 |
| **Loss from operations** | | | | |
| Healthcare services | $ 2,699 | $ (219,009) | $ (77,628) | $ (370,700) |
| Product manufacturing and development | (542,070) | (589,277) | (433,368) | (1,144,119) |
| Corporate | (1,000,397) | (978,524) | (4,346,409) | (2,513,951) |
| Loss from operations | $ (1,539,768) | $ (1,786,810) | $ (4,857,405) | $ (4,028,770) |

| | | | | |
|---|---|---|---|---|
| **Depreciation and amortization** | | | | |
| Healthcare services | $ 30,486 | $ 34,594 | $ 60,521 | $ 63,562 |
| Product manufacturing and development | 258,281 | 207,308 | 521,208 | 516,350 |
| Corporate | 279,442 | 310,729 | 558,884 | 558,885 |
| Depreciation and amortization | $ 568,209 | $ 552,631 | $ 1,140,613 | $ 1,138,797 |
| **Capital expenditures** | | | | |
| Healthcare services | $ – | $ – | $ – | $ – |
| Product manufacturing and development | – | – | – | – |
| Corporate | – | – | – | – |
| Capital expenditures | $ – | $ – | $ – | $ – |
| **Interest expenses** | | | | |
| Healthcare services | $ 21,011 | $ 31,201 | $ 41,543 | $ 67,504 |
| Product manufacturing and development | 313 | 2,166 | 775 | 4,631 |
| Corporate | 117,360 | 90,499 | 239,740 | 218,974 |
| Interest expenses | $ 138,684 | $ 123,866 | $ 282,058 | $ 291,109 |
| **Net loss** | | | | |
| Healthcare services | $ (15,834) | $ (247,967) | $ (114,474) | $ (433,680) |
| Product manufacturing and development | (870,735) | (597,044) | (821,852) | (1,175,620) |
| Corporate | (1,858,991) | (3,800,151) | (6,469,957) | (6,972,598) |
| Net loss | $ (2,745,560) | $ (4,645,162) | $ (7,406,283) | $ (8,581,898) |



| | As of February 29, 2024 | As of August 31, 2023 |
|---|---|---|
| **Total assets** | | |
| Healthcare services | $ 5,016,896 | $ 5,158,851 |
| Product Sales | 17,695,233 | 17,993,652 |
| Corporate | 12,237,142 | 12,410,544 |
| | $ 34,949,271 | $ 35,563,047 |
| **Accounts receivable** | | |
| Healthcare services | $ 703,727 | $ 697,440 |
| Product Sales | 1,355,241 | 765,388 |
| Corporate | 94,946 | 4,200 |
| | $ 2,153,914 | $ 1,467,028 |
| **Intangible assets** | | |
| Healthcare services | $ 102,704 | $ 120,163 |
| Product Sales | 3,382,085 | 3,818,313 |
| Corporate | 11,721,178 | 12,280,063 |
| | $ 15,205,967 | $ 16,218,539 |
| **Goodwill** | | |
| Healthcare services | $ 519,341 | $ 520,821 |
| Product Sales | 7,041,595 | 7,061,662 |
| Corporate | – | – |
| | $ 7,560,936 | $ 7,582,483 |

**Note 17 – Subsequent Events**

*Stock Issuance – Mast Hill Fund, L.P. September 2023 Note Conversion*

Subsequent to the period ended February 29, 2024, the Company issued an aggregate of 826,203 shares of common stock to Mast Hill upon conversion of a note principal amount of $271,226 and a note interest amount of $ 104,712.

*Stock Issuance – FirstFire Global Opportunities Fund, L.P. September 2023 Note Conversion*

Subsequent to the period ended February 29, 2024, the Company issued an aggregate of 480,000 shares of common stock to FirstFire upon conversion of a note principal amount of $212,027 and a note interest amount of $ 8,333.

*Streeterville Capital, LLC Transaction*

On April 5, 2024, the Company entered into a securities purchase agreement (the “Streeterville SPA”) with Streeterville Capital, LLC (“Streeterville”), pursuant to which the Company issued a secured convertible promissory note (the “Streeterville Note”) with a maturity date of April 8, 2025, in the principal sum of $6,210,000 (the “Streeterville Principal Sum”). Pursuant to the terms of the Streeterville Note, the Company agreed to pay the Streeterville Principal Sum to Streeterville and to pay interest on the principal balance at the rate of 10.9% per annum. The Streeterville Note carries an OID of $660,000. In addition, $50,000 was withheld from the Streeterville Principal Sum to cover transaction costs. Accordingly, on April 8, 2024, Streeterville paid the purchase price of $5,500,000 in exchange Streeterville’s for the Streeterville Note. Upon receipt of the Streeterville Purchase Price, the Company repaid in full the remaining outstanding balances under that certain promissory note in the original principal amount of $3,500,000 issued on September 12, 2023, as well as that certain promissory note in the original principal amount of $277,777.77 issued on September 18, 2023.

Streeterville may convert the Streeterville Note into the Company’s common stock on any trading day (and the following trading day) that any intraday trade price of the common stock is 10% greater than the closing trade price on the previous trading day (each a “Voluntary Conversion”). With respect to any Voluntary Conversion, the conversion price is equal to 85% of the lowest daily volume weighted average price of the common stock on any trading day during the five trading day period prior to the respective conversion date (the “Conversion Price”), subject to adjustment as provided in the

Streeterville Note as well as beneficial ownership limitations.

Beginning on October 8, 2024, Streeterville shall have the right to redeem up to $ 950,000 of the Streeterville Note per calendar month. The Company is required to pay such redemption amounts in cash, provided, however, that if certain equity conditions are satisfied, then the Company may pay all or any portion of such applicable redemption amount by issuing shares of common stock at the applicable Conversion Price at such time.

The Company may prepay the Note at any time prior to the date that an Event of Default (as defined in the Streeterville Note) (each an "Event of Default") occurs at an amount equal to 105% of the Outstanding Balance (as defined below). "Outstanding Balance" means the Streeterville Principal Sum then outstanding plus accrued and unpaid interest. The Streeterville Note contains customary events of default relating to, among other things, payment defaults, breach of representations and warranties, and breach of covenants in the Streeterville Note or Streeterville SPA.

Upon the occurrence of any Event of Default, the Streeterville Note shall become immediately due and payable and the Company shall pay to Streeterville, in full satisfaction of its obligations hereunder, an amount equal to the Outstanding Balance plus the Trigger Effect (as defined herein). The "Trigger Effect" means 20% of the Outstanding Balance upon the occurrence of any Major Trigger Event (as defined in the Streeterville Note) and 5% of the Outstanding Balance upon the occurrence of any Minor Trigger Event (as defined in the Streeterville Note). The Trigger Effect for any Minor Trigger Event may occur up to three times. 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 22% per annum or the highest rate permitted by law.

In addition to the beneficial ownership limitations provided in the Streeterville Note, the sum of the number of shares of common stock that may be issued under the Streeterville SPA and Streeterville Note shall be limited to 19.99% of the outstanding common stock of the Company on April 5, 2024, unless shareholder approval to exceed such limitation is obtained by the Company. The Company is required, under the terms of the Streeterville Note, to seek shareholder approval with respect to the transaction within 6 months of April 5, 2024. If the Company is unable to obtain such shareholder approval within 9 months of April 5, 2024, then the Company must repay the Streeterville Note in cash.

The Streeterville SPA contains customary representations, warranties, and covenants of the Company, including, among other things and subject to certain exceptions, registration rights with respect to the common stock underlying the Streeterville Note. The Streeterville SPA also requires the Company to file a registration statement covering Streeterville's resale of the common stock underlying the Streeterville Note within 75 days of the closing date.

In connection with the Streeterville Note and Streeterville SPA, the Company and Streeterville also entered into a security agreement (the "Streeterville Security Agreement"). Pursuant to the Streeterville Security Agreement, the Company granted Streeterville a security interest in all of the assets of the Company.

Acenzia, a wholly owned subsidiary of the Company, entered into a guaranty with Streeterville on April 5, 2024 (the "Acenzia Guaranty"). Acenzia guaranteed the repayment of the Streeterville Note and granted Streeterville a security interest in the assets of Acenzia, including but not limited to the property located at 1580 Rossi Drive, Tecumseh, Ontario, Canada. Further, NHL, a wholly owned subsidiary of the Company, entered into a guaranty with Streeterville on April 5, 2024 (the "NHL Guaranty"). NHL guaranteed the repayment of the Streeterville Note and granted a security interest in the assets of NHL.



## 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, 2023, 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 stock, telemedicine/telehealth and remote patient monitoring fall under this Second Pillar. In October 2021, we announced the launch of MiTelemed+, Inc. ("MiTelemed"), a joint venture with EK-Tech Solutions Inc. ("EK-Tech"). MiTelemed will operate, support and expand access and functionality of iTelemed, EK-Tech's enhanced proprietary telehealth platform. MiTelemed+, through the iTelemed platform, will allow us to offer the patient and the practitioner a sophisticated and enhanced telehealth interaction. Through the interface of sophisticated peripheral based diagnostic tools operated by skilled support workers in the patient's remote location, we believe that the practitioner's ability and comfort to provide a uniquely comprehensive evaluation, diagnosis, and treatment solution will be dramatically elevated.



**Third Pillar – Health and Wellness Products**

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

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

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

We have two reportable segments: healthcare services and product sales. During the quarter ended February 29, 2024, revenues from healthcare services and product sales were 53% and 45%, respectively, of the Company's total revenues for the quarter.

**Recent Developments**

*September 2023 Mast Hill SPA*

On September 12, 2023, the Company entered into a securities purchase agreement (the "September 2023 Mast Hill SPA") with Mast Hill Fund, L.P. ("Mast Hill"), pursuant to which the Company issued an 12% promissory note (the "September 2023 Mast Hill Note") with a maturity date of September 12, 2024 (the "September 2023 Mast Hill Maturity Date"), in the principal sum of $3,500,000. Pursuant to the terms of the September 2023 Mast Hill Note, the Company agreed to pay the principal sum to Mast Hill and to pay interest on the principal balance at the rate of 12% per annum. The September 2023 Mast Hill Note carries an original issue discount ("OID") of $350,000. Accordingly, on the closing date, Mast Hill paid the purchase price of $3,150,000 in exchange for the September 2023 Mast Hill Note. Mast Hill may convert the September 2023 Mast Hill Note into shares of the Company's common stock at any time at a conversion price equal to the lesser of (i) $4.50 or (ii) 91.5% of the lowest volume weighted average price of the Company's common stock on any trading day during the five trading day period prior to the respective conversion date, subject to adjustment as provided in the September 2023 Mast Hill Note (including but not limited to price protection provisions in case of future dilutive offerings, subject to certain customary exempt transactions) as well as beneficial ownership limitations.

Pursuant to the terms of the September 2023 Mast Hill Note, the Company agreed to pay the principal sum and accrued interest as follows: (i) all accrued interest on December 12, 2023, (ii) $350,000 plus accrued interest on March 12, 2024, (iii) $350,000 plus accrued interest on April 12, 2024, (iv) $350,000 plus accrued interest on May 12, 2024, (v) $595,000 plus accrued interest on June 12, 2024, (vi) $595,000 plus accrued interest on July 12, 2024, (vii) $595,000 plus accrued interest on August 12, 2024, and (viii) all remaining amounts owed under the September 2023 Mast Hill Note on the September 2023 Mast Hill Maturity Date (each of the aforementioned payments is an "Amortization Payment"). If the Company fails to make any Amortization Payment, then Mast Hill will have the right to convert the amount of such respective Amortization Payment into shares of common stock as provided in the September 2023 Mast Hill Note at the lesser of (i) the then applicable conversion price under the September 2023 Mast Hill Note or (ii) 85% the lowest volume weighted average price of the Company's common stock on any trading day during the five trading day period prior to the respective conversion date.



The Company may prepay the September 2023 Mast Hill Note at any time prior to the date that an Event of Default (as defined in the 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 September 2023 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 September 2023 Mast Hill Note or September 2023 Mast Hill SPA.

Upon the occurrence of any Event of Default, the September 2023 Mast Hill Note shall become immediately due and payable and the Company will pay to Mast Hill an amount equal to the 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 September 2023 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 common stock underlying the September 2023 Mast Hill Note. Further, pursuant to the September 2023 Mast Hill SPA, the Company agreed to transfer its rights to the charges/mortgages evidenced by Instrument Nos. CE925256 (in the amount of CDN$1,600,000) and CE888785 (in the amount of CDN$1,800,000) on the property located at 1580 Rossi Drive, Tecumseh, Ontario, Canada, to Mast Hill as security for the Company's repayment of the September 2023 Mast Hill Note. In addition to the beneficial ownership limitations provided in the September 2023 Mast Hill Note, the sum of the number of shares of common stock that may be issued under the September 2023 Mast Hill SPA and September 2023 Mast Hill Note shall be limited to 1,772,045 shares as further described in the September 2023 Mast Hill SPA, unless shareholder approval to exceed such limitation is obtained by the Company.

The Company's subsidiary, Acenzia Inc. ("Acenzia"), entered into a guaranty with Mast Hill on September 12, 2023. Acenzia guaranteed the repayment of the September 2023 Mast Hill Note and granted Mast Hill a security interest in Acenzia's assets, including but not limited to, the property located at 1580 Rossi Drive, Tecumseh, Ontario, Canada.

On December 12, 2023, the Company made an interest-only payment of $104,712 to Mast Hill pursuant to the terms of the September 2023 Mast Hill Note.

*September 2023 FirstFire SPA & Note*

On September 18, 2023, the Company entered into a securities purchase agreement (the "September 2023 FirstFire SPA") with FirstFire Global Opportunities Fund, L.P. ("FirstFire"), pursuant to which the Company issued an 12% promissory note (the "September 2023 FirstFire Note") with a maturity date of September 18, 2024, in the principal sum of $277,778. Pursuant to the terms of the September 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 September 2023 FirstFire Note carries an OID of $27,778. Accordingly, on the closing date, FirstFire paid the purchase price of $250,000 in exchange for the September 2023 FirstFire Note. FirstFire may convert the September 2023 FirstFire Note into the Company's common stock, at any time at a conversion price equal to the lesser of (i) $4.50 or (ii) 91.5% of the lowest volume weighted average price of the Company's common stock on any trading day during the five trading day period prior to the respective conversion date, subject to adjustment as provided in the September 2023 FirstFire Note (including but not limited to price protection provisions in case of future dilutive offerings, subject to certain customary exempt transactions) as well as beneficial ownership limitations.

Pursuant to the terms of the September 2023 FirstFire Note, the Company agreed to pay the principal sum and accrued interest as follows: (i) all accrued interest on December 18, 2023, (ii) $27,778 plus accrued interest on March 18, 2024, (iii) $27,778 plus accrued interest on April 18, 2024, (iv) $27,778 plus accrued interest on May 18, 2024, (v) $47,222 plus accrued interest on June 18, 2024, (vi) $47,222 plus accrued interest on July 18, 2024, (vii) $47,222 plus accrued interest on August 18, 2024, and (viii) all remaining amounts owed under the September 2023 FirstFire Note on the maturity date (each of the aforementioned payments is a "FirstFire Amortization Payment"). If the Company fails to make any FirstFire Amortization Payment, then FirstFire shall have the right to convert the amount of such respective FirstFire Amortization Payment into shares of common stock as provided in the September 2023 FirstFire Note at the lesser of (i) the then applicable conversion price under the September 2023 FirstFire Note or (ii) 85% the lowest volume weighted average price of the Company's common stock on any trading day during the five trading day period prior to the respective conversion date.



The Company may prepay the September 2023 FirstFire Note at any time prior to the date that an event of default 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 September 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 September 2023 FirstFire Note or September 2023 FirstFire SPA.

Upon the occurrence of any event of default, the September 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%. 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 September 2023 FirstFire 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 common stock underlying the September 2023 FirstFire Note. In addition to the beneficial ownership limitations provided in the September 2023 FirstFire Note, the sum of the number of shares of common stock that may be issued under the September 2023 FirstFire SPA and September 2023 FirstFire Note shall be limited to 480,156 as further described in the September 2023 FirstFire SPA, unless shareholder approval to exceed such limitation is obtained by the Company.

Acenzia entered into a guaranty with FirstFire on September 18, 2023. Acenzia guaranteed the repayment of the September 2023 FirstFire Note and granted FirstFire a security interest in Acenzia's assets, including but not limited to the property located at 1580 Rossi Drive, Tecumseh, Ontario, Canada, which is junior in priority to the security interest granted by Acenzia to FirstFire.

On December 18, 2023, the Company made an interest-only payment of $8,333 to FirstFire pursuant to the terms of the September 2023 FirstFire Note.

*Blacksheep Master (Asset Transfer) Agreement*

On September 27, 2023, the Company entered into a Master (Asset Transfer) Agreement (the "Master Agreement") by and between the Company and Blacksheep Trust ("Blacksheep"). Pursuant to the terms of the Master Agreement, Blacksheep agreed to transfer, on such dates as agreed to by the Company and Blacksheep, to the Company certain collateral equal to $1 billion and controlled by Blacksheep (the "Collateral"). The Collateral will be used by the Company for monetization. The consideration for the Collateral is equal to 15% of the monetization, advanced within five business days of clear access to the monetization or monetization facility.

The parties to the Master Agreement intend that the transfer of Collateral will be duly validated and authenticated by third-party audit procedures, said audit will allow for the transfer and monetization of the transferred Collateral, free and clear of any liens, claims or encumbrances, from Blacksheep to the Company and that the Collateral will not be a part of Blacksheep's property for any purposes under state or federal law.

Pursuant to the terms of the Master Agreement, Blacksheep will be entitled to an annual distribution of 10% of net profits as identified by an independent auditor based on the Company's business activity resulting from the direct investment of any funds derived from the monetization of transferred Collateral.

The Company has the right to the Collateral for no more than 15 years from the date of monetization, with the Company's exclusive right to repatriate the Collateral to Blacksheep sooner without penalty. Blacksheep will be permitted one seat on the Company's Board, which position will remain available for the term of the Collateral transfer or until the Collateral is repatriated to Blacksheep.

Any draw against the monetization of the Collateral will require unanimous Board consent.



The Master Agreement contains customary representations, warranties, and covenants of the Company and Blacksheep.

*Purchase and Sale Agreement – Ophir Collection*

On November 21, 2023, the Company entered into a Purchase and Sale Agreement ("Ophir Agreement") between the Company and Blake Alsbrook, solely in his capacity as Court-appointed successor receiver (the "Successor Receiver") in Ocean Thermal Energy Corporation v. C. Robert Coe II, et al., United States District Court for the Central District of California (the "Court") Case No. 2:19-cv-04299 VAP (JPRx) (the "Action"). Pursuant to the terms of the Ophir Agreement, the Company agreed to purchase, and the Successor Receiver agreed to sell to the Company, the Ophir Collection (as hereinafter defined), subject to the contingencies outlined in the Ophir Agreement, including Court approval, which was received on December 1, 2023. The Ophir Agreement was effective upon execution by both parties; however, the Ophir Agreement was subject to approval by the Court.

Pursuant to the Court's July 2, 2019 order in the Action, as modified by the Court's February 25, 2022 order in the Action, the Successor Receiver has possession of and right to sell a certain collection of 43 gemstones, 42 of which are certified by the Gemological Institute of America, known as the "Ophir Collection". Together, the Court's July 2, 2019 order appointing the original receiver, the Court's December 3, 2019, order appointing the Successor Receiver, and the Court's February 25, 2022, order are referred to collectively as the "Receivership Orders." The Receivership Orders authorized the Successor Receiver to take sole custody, possession, and control of the Ophir Collection and to sell, assign, transfer, convey and deliver title and rights in and to the Ophir Collection subject to the approval of the Court to protect the interests of certain identified creditors.

Within two business days following the Company's execution of the Ophir Agreement, the Company was required to, and did, deposit $25,000 with the Successor Receiver. In addition, in January 2024, February 2024, and March 2024 the Company paid to the Successor Receiver four additional $25,000 deposits to extend and maintain exclusivity related to the Ophir Agreement.

Pursuant to the terms of the Ophir Agreement, the Company agreed to pay $60,000,000 to the Successor Receiver to purchase the Ophir Collection as follows:

(i) The Company has the right, at all times after November 21, 2023, to conduct a full and unfettered inspection of the Ophir Collection. While the Company has the right to inspect the Ophir Collection prior to closing, the Company's inspection will not be a contingency to closing and the inability of the Company to inspect (or the Company's decision not to inspect) the Ophir Collection prior to closing will not delay or prevent closing.

(ii) After the Successor Receiver obtains Court approval of the Ophir Agreement, the Company will cause $59,975,000 (representing the $60,000,000 purchase price, less the Deposit) to be paid to the Successor Receiver, on or before December 19, 2023. Although such amount has not yet been delivered to the Successor Receiver, the parties continue to work toward closing.

(iii) Within one business day thereafter, the Successor Receiver will assign, transfer, convey and deliver free and clear title and interest in and to, and possession of, the Ophir Collection to the Company.

As a result of entry into the Ophir Agreement, the Company no longer intends to pursue a transaction with SwagCheck Inc. ("SWAG"). The Share Purchase Agreement, dated as of December 23, 2022, by and among the Company, SWAG and all SWAG shareholders, as amended, previously terminated pursuant to its terms.

*Officer Option Grant*

On January 16, 2024, the Board of Directors granted to Christopher David, the Company's Chief Operating Officer and a member of the Board of Directors, an option to purchase 200,000 shares of the Company's common stock pursuant to the 2023 Equity Incentive Plan. The option was fully vested at grant and is exercisable until January 16, 2030. The option has an exercise price of $0.78 per share.



*Novo Integrated – Mast Hill Fund, L.P. $445,000 Note, SPA, and Warrant*

On June 20, 2023, the Company entered into a securities purchase agreement (the "MH $445,000 SPA") with Mast Hill, pursuant to which the Company issued an 12% unsecured promissory note (the "MH $445,000 Note") with a maturity date of June 20, 2024 (the "MH $445,000 Maturity Date"), in the principal sum of $445,000 (the "MH $445,000 Principal Sum"). In addition, the Company issued a common stock purchase warrant for the purchase of up to 77,662 shares of the Company's common stock (the "MH $445,000 Warrant") to Mast Hill pursuant to the MH $445,000 SPA. Pursuant to the terms of the MH $445,000 Note, the Company agreed to pay the MH $445,000 Principal Sum to Mast Hill and to pay interest on the principal balance at the rate of 12% per annum. The MH $445,000 Note carries an OID of $44,500. Accordingly, on the Closing Date (as defined in the MH $445,000 SPA), Mast Hill paid the purchase price of $400,500 in exchange for the MH $445,000 Note and MH $445,000 Warrant. Mast Hill may convert the MH $445,000 Note into the Company's common stock at any time at a conversion price equal to $1.75 per share, subject to adjustment as provided in the MH $445,000 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 $445,000 Note, the Company agreed to pay accrued interest monthly as well as the MH $445,000 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 on March 20, 2024, (v) $77,661 on April 20, 2024, (vi) $77,661 on May 20, 2024, and (vii) all remaining amounts owed under the MH $445,000 Note on the MH $445,000 Maturity Date (each of the aforementioned payments are an "MH $445,000 Amortization Payment"). If the Company fails to make any MH $445,000 Amortization Payment, then Mast Hill shall have the right to convert the amount of such respective MH $445,000 Amortization Payment into shares of common stock as provided in the MH $445,000 Note at the lesser of (i) the then applicable conversion price under the MH $445,000 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 $445,000 Note at any time prior to the date that an Event of Default (as defined in the Note) (each an "MH $445,000 Event of Default") occurs at an amount equal to the MH $445,000 Principal Sum then outstanding plus accrued and unpaid interest (no prepayment premium) plus $750 for administrative fees. The MH $445,000 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 $445,000 Note, the MH $445,000 Warrant, or the MH $445,000 SPA.

Upon the occurrence of any MH $445,000 Event of Default, the MH $445,000 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 $445,000 Principal Sum then outstanding plus accrued interest multiplied by 125%. Upon the occurrence of an MH $445,000 Event of Default, additional interest will accrue from the date of the MH $445,000 Event of Default at the rate equal to the lower of 16% per annum or the highest rate permitted by law.

The MH $445,000 Warrant is exercisable for five years from June 20, 2023, at an exercise price of $2.50 per share, subject to adjustment as provided in the MH $445,000 Warrant. The MH $445,000 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 $445,000 Warrant and the exercise price in case of future dilutive offerings, subject to certain customary exempt transactions. The estimated value of the warrants of $77,856 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 3.96%

As additional consideration for the purchase of the MH $445,000 Note and pursuant to the terms of the MH $445,000 SPA, the Company issued 74,167 restricted shares of the Company's common stock (the "MH $445,000 Commitment Shares") to Mast Hill at closing. The MH $445,000 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 $445,000 Commitment Shares as well as the shares of common stock underlying the MH $445,000 Note and MH $445,000 Warrant. In addition to the beneficial ownership limitations provided in the MH $445,000 Note and MH $445,000 Warrant, the sum of the number of shares of common stock that may be issued under the MH $445,000 SPA (including the MH $445,000 Commitment Shares), MH $445,000 Note, and MH $445,000 Warrant shall be limited to 1,772,045 as further described in the MH $445,000 SPA, unless shareholder approval to exceed such limitation is obtained by the Company.



Specific to the MH $445,000 Note, on July 20, 2023, the Company made a monthly interest payment of $4,243. On August 21, 2023, the Company made a monthly interest payment of $4,535. On September 21, 2023, the Company made a monthly interest payment of $4,535. On October 20, 2023, the Company made a monthly interest payment of $4,389.

On October 23, 2023, Mast Hill fully exercised all warrants issued pursuant to the terms and conditions of the MH $445,000 Mast Hill Warrant Agreement, dated June 20, 2023. Under 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, the Company issued 138,703 restricted shares of the Company's common stock.

On December 21, 2023, the total principal and interest of $454,071 owed on the MH $445,00 Note was converted to 457,128 shares of the Company's common stock at $1.11095 per share. The MH $445,000 Note is paid in full.

*Nasdaq Notification – Non-Compliance with Minimum Bid Price Requirement*

On February 9, 2024, the Company received a notification letter (the "Notification Letter") from The Nasdaq Stock Market, LLC ("Nasdaq") that it was 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 December 27, 2023, and February 8, 2024, the Company no longer meets the minimum bid price requirement. The Notification Letter has no immediate effect on the listing or trading of the Company's common stock on The Nasdaq Capital Market and, at this time, the common stock will continue to trade on The Nasdaq Capital Market under the symbol "NVOS."

The Notification Letter provides that the Company has 180 calendar days, or until August 7, 2024, to regain compliance with Nasdaq Listing Rule 5550(a)(2). To regain compliance, the bid price of the Company's common stock must have a closing bid price of at least $1.00 per share for a minimum of 10 consecutive business days. If the Company does not regain compliance by August 7, 2024, an additional 180 days may be granted to regain compliance, so long as the Company meets The Nasdaq Capital Market continued listing requirements (except for the bid price requirement) and notifies Nasdaq in writing of its intention to cure the deficiency during the second compliance period. If the Company does not qualify for the second compliance period or fails to regain compliance during the second 180-day period, then Nasdaq will notify the Company of its determination to delist the Company's common stock, at which point the Company will have an opportunity to appeal the delisting determination to a hearings panel.

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

*Securities Purchase Agreement Waivers*

On April 27, 2023, the Company entered into a securities purchase agreement (the "SPA"), dated April 26, 2023, with RC Consulting Group LLC in favor of SCP Tourbillion Monaco or registered assigns (the "Holder"), pursuant to which the Company issued an unsecured 15-year promissory note to the Holder (the "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 the Issue Date.

The Note contains customary events of default relating to, among other things, payment defaults, breach of representations and warranties, and breach of provisions of the SPA or the Note. Upon the occurrence of any Event of Default (as defined in the Note), the Note is to become immediately due and payable, and the Company will pay to the Holder, 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 costs, including, without limitation, legal fees and expenses, of collection, all without demand, presentment or notice.



According to the SPA, the Company's non-compliance with the Minimum Bid Price Requirement constituted an Event of Default under the terms of the SPA and Note.

On February 16, 2024, the Company and the Holder entered into a Limited Waiver (the "Waiver") exempting any determination of non-compliance associated with the Minimum Bid Price Requirement, and is solely related to any notice of deficiency in accordance with the Minimum Bid Price Requirement but does not extend to any delisting associated with the Minimum Bid Price Requirement under the SPA and the Note. Nothing in the Waiver is be deemed to: (1) constitute a waiver, modification or amendment of any other term, provision or condition of the SPA or any other instrument or agreement referred to therein; (2) prejudice any right or remedy that the Holder may now have or may have in the future under or in connection with the SPA or any other instrument or agreement referred to therein, except as otherwise set forth therein.

On March 18, 2024, the Company entered into the Assignment of Security Purchase Agreement and Promissory Note (the "Assignment") with the Holder and RC Consulting Consortium Group LLC. Pursuant to the terms of the Assignment, the Holder assigned and transferred to RC Consulting Consortium Group LLC all of the Holder's right, title, claim and interest in and to the SPA and the Note, and RC Consulting Consortium Group LLC agreed to assume the same. Except as set forth in the Assignment, the terms of the SPA and the Note, each as amended from time to time, including by the Waiver, remain in full force and effect.

On March 19, 2024, the Company and RC Consulting Consortium Group LLC entered into a Limited Waiver (the "March 2024 Waiver") applicable to the SPA. In particular, as a result of the March 2024 Waiver, RC Consulting Consortium Group LLC waived the SPA provision requiring the Company to use the proceeds of the Note for business development and general working expenses, and not for any other purpose, including but not limited to (i) the repayment of any indebtedness owed to officers, directors or employees of the Company, (ii) any loan to or investment in any other corporation, partnership, enterprise or other person (except in connection with the Company's currently existing operations), (iii) any loan, credit, or advance to any officers, directors, employees, or affiliates of the Company, or (iv) in violation or contravention of any applicable law, rule or regulation. Nothing in the March 2024 Waiver will be deemed to: (1) constitute a waiver, modification or amendment of any other term, provision or condition of the SPA or any other instrument or agreement referred to therein; (2) prejudice any right or remedy that RC Consulting Consortium Group LLC, in favor of SCP Tourbillion Monaco may now have or may have in the future under or in connection with the SPA or any other instrument or agreement referred to therein, except as otherwise set forth therein.

All other provisions and conditions of the SPA and any other documents related to the SPA remain in full force and effect.

*Departure of Christopher David as President*

On February 15, 2024, Mr. David, the Company's then-President, Chief Operating Officer and member of the Company's Board of Directors informed the Company of his decision to voluntarily resign from his position as the Company's President effective as of February 15, 2024. Mr. David did not resign as a result of any disagreement with the Company on any matter relating to the Company's operations, policies or practices.

Mr. David will continue in his positions of Chief Operating Officer and member of the Board of Directors.

*Appointment of Robert Oliva as President*

Pursuant to Mr. David's departure as President, the Board of Directors of the Company appointed Robert Oliva as President, effective February 15, 2024. Mr. Oliva previously served the Company between January 26, 2021 and June 30, 2022 in the role of Director. During his time as Director, Mr. Oliva has also served the Company as a member of the Compensation Committee and Nominating and Corporate Governance Committees. On June 30, 2022, Mr. Oliva resigned from the Board of Directors.

Mr. Oliva is not currently party to an employment agreement with the Company, nor is there any current compensation arrangement, however Mr. Oliva and the Company plan to enter into a compensation agreement.

There are no family relationships between Mr. Oliva and any director or executive officer of the Company, and he has no direct or indirect material interest in any transaction required to be disclosed pursuant to Item 404(a) of Regulation S-K.

*Streeterville Capital, LLC Transaction*

On April 5, 2024, the Company entered into a securities purchase agreement (the "Streeterville SPA") with Streeterville Capital, LLC ("Streeterville"), pursuant to which the Company issued a secured convertible promissory note (the "Streeterville Note") with a maturity date of April 8, 2025, in the principal sum of $6,210,000 (the "Streeterville Principal Sum"). Pursuant to the terms of the Streeterville Note, the Company agreed to pay the Streeterville Principal Sum to Streeterville and to pay interest on the principal balance at the rate of 10.9% per annum. The Streeterville Note carries an OID of $660,000. In addition, $50,000 was withheld from the Streeterville Principal Sum to cover Streeterville's transaction costs. Accordingly, on April 8, 2024, Streeterville paid the purchase price of $5,500,000 in exchange for the Streeterville Note. Upon receipt of the Streeterville Purchase Price, the Company repaid in full the remaining outstanding balances under that certain promissory note in the original principal amount of $3,500,000 issued on September 12, 2023, as well as that certain promissory note in the original principal amount of $277,777.77 issued on September 18, 2023.

Streeterville may convert the Streeterville Note into the Company's common stock on any trading day (and the following trading day) that any intraday trade price of the common stock is 10% greater than the closing trade price on the previous trading day (each a "Voluntary Conversion"). With respect to any Voluntary Conversion, the conversion price is equal to 85% of the lowest daily volume weighted average price of the common stock on any trading day during the five trading day period prior to the respective conversion date (the "Conversion Price"), subject to adjustment as provided in the Streeterville Note as well as beneficial ownership limitations.



Beginning on October 8, 2024, Streeterville shall have the right to redeem up to $950,000 of the Streeterville Note per calendar month. The Company is required to pay such redemption amounts in cash, provided, however, that if certain equity conditions are satisfied, then the Company may pay all or any portion of such applicable redemption amount by issuing shares of common stock at the applicable Conversion Price at such time.

The Company may prepay the Note at any time prior to the date that an Event of Default (as defined in the Streeterville Note) (each an "Event of Default") occurs at an amount equal to 105% of the Outstanding Balance (as defined below). "Outstanding Balance" means the Streeterville Principal Sum then outstanding plus accrued and unpaid interest. The Streeterville Note contains customary events of default relating to, among other things, payment defaults, breach of representations and warranties, and breach of covenants in the Streeterville Note or Streeterville SPA.

Upon the occurrence of any Event of Default, the Streeterville Note shall become immediately due and payable and the Company shall pay to Streeterville, in full satisfaction of its obligations hereunder, an amount equal to the Outstanding Balance plus the Trigger Effect (as defined herein). The "Trigger Effect" means 20% of the Outstanding Balance upon the occurrence of any Major Trigger Event (as defined in the Streeterville Note) and 5% of the Outstanding Balance upon the occurrence of any Minor Trigger Event (as defined in the Streeterville Note). The Trigger Effect for any Minor Trigger Event may occur up to three times. 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 22% per annum or the highest rate permitted by law.

In addition to the beneficial ownership limitations provided in the Streeterville Note, the sum of the number of shares of common stock that may be issued under the Streeterville SPA and Streeterville Note shall be limited to 19.99% of the outstanding common stock of the Company on April 5, 2024, unless shareholder approval to exceed such limitation is obtained by the Company. The Company is required, under the terms of the Streeterville Note, to seek shareholder approval with respect to the transaction within 6 months of April 5, 2024. If the Company is unable to obtain such shareholder approval within 9 months of April 5, 2024, then the Company must repay the Streeterville Note in cash.

The Streeterville SPA contains customary representations, warranties, and covenants of the Company, including, among other things and subject to certain exceptions, registration rights with respect to the common stock underlying the Streeterville Note. The Streeterville SPA also requires the Company to file a registration statement covering Streeterville's resale of the common stock underlying the Streeterville Note within 75 days of the closing date.

In connection with the Streeterville Note and Streeterville SPA, the Company and Streeterville also entered into a security agreement (the "Streeterville Security Agreement"). Pursuant to the Streeterville Security Agreement, the Company granted Streeterville a security interest in all of the assets of the Company.

Acenzia, a wholly owned subsidiary of the Company, entered into a guaranty with Streeterville on April 5, 2024 (the "Acenzia Guaranty"). Acenzia guaranteed the repayment of the Streeterville Note and granted Streeterville a security interest in the assets of Acenzia, including but not limited to the property located at 1580 Rossi Drive, Tecumseh, Ontario, Canada. Further, NHL, a wholly owned subsidiary of the Company, entered into a guaranty with Streeterville on April 5, 2024 (the "NHL Guaranty"). NHL guaranteed the repayment of the Streeterville Note and granted a security interest in the assets of NHL.

**For the three months ended February 29, 2024 compared to the three months ended February 28, 2023**

Revenues for the three months ended February 29, 2024 were $3,170,592, representing an increase of $614,083, or 24%, from $2,556,509 for the three months ended February 28, 2023. The increase in revenue is principally due to an increase in product sales. Acenzia's and Terragenx's revenue for the three months ended February 29, 2024 were $884,396 and $103,399, respectively. Revenue from our healthcare services increased by 3.4% when comparing the revenue for the three months ended February 29, 2024 to the three months ended February 28, 2023.

Cost of revenues for the three months ended February 29, 2024 was $1,846,506, representing an increase of $260,900, or 16%, from $1,585,606, for the three months ended February 28, 2023. Cost of revenues as a percentage of revenue for our healthcare and product sales segments was 63% and 49%, respectively, for the three months ended February 29, 2024. The cost of revenue for our healthcare and product sales segment was 62% and 63%, respectively, for the three months ended February 28, 2023. The overall change in cost of revenues as a percentage of revenue for our product sales segment was principally due to the change in product costs.



Operating costs for the three months ended February 29, 2024 were $2,863,854, representing an increase of $106,141, or 4%, from $2,757,713 for the three months ended February 28, 2023. The increase in operating costs was principally due to higher fair value of stock options issued during the three months.

Interest expense for the three months ended February 29, 2024 was $138,684, representing an increase of $14,818, or 12%, from $123,866 for the three months ended February 28, 2023. Due to the higher average principal balance of the Company's convertible notes throughout the three months ended February 29, 2024 compared to prior period led to an increased interest expense.

Amortization of debt discount for the three months ended February 29, 2024 was $1,114,573, representing a decrease of $1,625,776, or 59%, from $2,740,349 for the three months ended February 28, 2023. The decrease was due to convertible notes which were settled during the period.

Foreign currency transaction loss for the three months ended February 29, 2024 was $19,588 compared to gain of $3,620 for the three months ended February 28, 2023, representing a decrease of $23,208, or 641%. Acenzia and Terragenx both have outstanding debt recorded on their books that is payable in U.S. Dollars. Prior period balance related to the outstanding debt payable in U.S. Dollars.

Net loss attributed to Novo Integrated Sciences, Inc. for the three months ended February 29, 2024 was $2,746,128, representing a decrease of

$1,875,227, or 41%, from $4,621,355 for the three months ended February 28, 2023. The decrease in net loss was principally due to the increase in gross profit and lower amount of other expenses.

**For the six months ended February 29, 2024 compared to the six months ended February 28, 2023**

Revenues for the six months ended February 29, 2024 were $7,061,810, representing an increase of $1,086,021, or 18%, from $5,975,789 for the six months ended February 28, 2023. The increase in revenue is principally due to an increase in product sales. Acenzia's and Terragenx's revenue for the six months ended February 29, 2024 were $2,568,247 and $120,370, respectively. Revenue from our healthcare services increased by 2.3% when comparing the revenue for the six months ended February 29, 2024 to the six months ended February 28, 2023.

Cost of revenues for the six months ended February 29, 2024 was $3,793,706, representing an increase of $528,353, or 16%, from $3,265,353 for the six months ended February 28, 2023. Cost of revenues as a percentage of revenue for our healthcare and product sales segments was 65% and 39%, respectively, for the six months ended February 29, 2024. The cost of revenue for our healthcare and product sales segment was 61% and 56%, respectively, for the six months ended February 28, 2023. The overall change in cost of revenues as a percentage of revenue for our product sales segment was principally due to the change in product costs.

Operating costs for the six months ended February 29, 2024 were $8,125,509, representing an increase of $1,386,303, or 21%, from $6,739,206 for the six months ended February 28, 2023. The increase in operating costs was principally due to higher fair value of stock options issued, common stock issuance for services and cashless warrant exercise.

Interest expense for the six months ended February 29, 2024 was $282,058, representing a decrease of $9,051, or 3%, from $291,109 for the six months ended February 28, 2023. The decrease was due to cash payment and conversion of some of the Company's convertible notes to common stock as of February 29, 2024.

Amortization of debt discount for the six months ended February 29, 2024 was $2,190,501, representing a decrease of $2,040,361, or 48%, from $4,230,862 for the six months ended February 28, 2023. The decrease was due to convertible notes which were settled during the period.

Foreign currency transaction loss for the six months ended February 29, 2024 was $78,946 compared to $35,681 for the six months ended February 28, 2023, representing an increase of $43,265, or 121%. Acenzia and Terragenx both have outstanding debt recorded on their books that is payable in U.S. Dollars. Prior period balance related to the outstanding debt payable in U.S. Dollars.



Net loss attributed to Novo Integrated Sciences, Inc. for the six months ended February 29, 2024 was $7,426,471, representing a decrease of $1,130,297, or 13%, from $8,556,768 for the six months ended February 28, 2023. The decrease in net loss was principally due to the increase in gross profit and lower amount of other expenses.

**Liquidity and Capital Resources**

As shown in the accompanying unaudited condensed consolidated financial statements, for the six months ended February 29, 2024, the Company had a net loss of $7,406,283.

*Operating activities*

During the six months ended February 29, 2024, the Company used cash in operating activities of $3,865,953 compared to $1,156,821 of cash used in operating activities for the six months ended February 28, 2023. The principal reason for the increase in cash used in operating activities was due to the increased utilization of cash in operating asset and liability accounts.

*Investing activities*

During the six months ended February 29, 2024 and the six months ended February 28, 2023, the Company did not have any cash flows from investing activities.

*Financing activities*

During the six months ended February 29, 2024, the Company had cash provided by financing activities of $3,299,455 compared to cash used by financing activities of $604,704 for the six months ended February 28, 2023. The principal reason for the increase in cash provided by financing activities was the $3,314,153 proceeds received from the issuance of convertible notes and the $240,400 proceeds received from the exercise of warrants, offset by $64,837 repayment to related parties, $184,475 repayment of notes payable, and $5,931 repayment for finance leases.

During the six months ended February 28, 2023, the Company received $1,795,000 from the sale of common stock, net of offering costs, proceeds of $455,235 from issuance of convertible notes and proceeds of $6,138 from related parties offset by $2,977,778 repayment of convertible notes, and $4,299 repayment for finance leases.

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 the 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 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 accounts, allowance for slow moving and obsolete inventory, valuation of share-based compensation and warrants, valuation of derivative liability, 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.

*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.

*Long-Lived Assets*

The Company applies the provisions of the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("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 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, 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. Based on its review at February 29, 2024, the Company believes there was no 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 FASB’s Accounting Standards Update 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 ASC Topic 718, *Compensation – Stock Compensation*. 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 February 29, 2024. Based upon such evaluation, the Chief Executive Officer and Principal Financial Officer have concluded that, as of February 29, 2024, 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 February 29, 2024 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

None.

## ITEM 3. DEFAULTS UPON SENIOR SECURITIES

As mentioned in Note 12 of the condensed consolidated financial statements, during the six months ended February 29, 2024, the Company could not make repayments to the debenture holders in accordance with the revised agreed repayment schedule, and is therefore in breach of the loan agreement as at period end.

Consequently, the Company has reclassified the entire outstanding balance of the loan to current liabilities. At this stage the Company is under discussions to formalize the arrangements to make the payment to the holders.

## 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.

(c) During the quarter ended February 29, 2024, no director or officer of the Company adopted or terminated a contract, instruction or written plan for the purchase or sale of securities of the Company intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) and/or a non-Rule 10b5-1 trading arrangement.

## ITEM 6. EXHIBITS

| Exhibit Number | Description of Document |
|---|---|
| 10.1 | Limited Waiver dated as of February 16, 2024 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 February 20, 2024). |

| | |
|---|---|
| 10.2 | Assignment of Security Purchase Agreement and Promissory Note, dated March 18, 2024, by and among the registrant, RC Consulting Group LLC and RC Consulting Consortium Group LLC (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on March 18, 2024). |
| 10.3 | Limited Waiver, dated March 19, 2024, by RC Consulting Consortium Group LLC (incorporated by reference to Exhibit 10.1 to the Company's Current Report on form 8-K filed with the Commission on March 19, 2024). |
| 10.4 | Promissory Note, dated as of April 5, 2024, by and between Novo Integrated Sciences, Inc. and Streeterville Capital, LLC (incorporated by reference to Exhibit 10.1 to the Company's Current Report on form 8-K filed with the Commission on April 11, 2024). |
| 10.5 | Securities Purchase Agreement, dated as of April 5, 2024, by and between Novo Integrated Sciences, Inc. and Streeterville Capital, LLC (incorporated by reference to Exhibit 10.2 to the Company's Current Report on form 8-K filed with the Commission on April 11, 2024). |
| 10.6 | Security Agreement, dated as of April 5, 2024, by and between Novo Integrated Sciences, Inc. and Streeterville Capital, LLC (incorporated by reference to Exhibit 10.3 to the Company's Current Report on form 8-K filed with the Commission on April 11, 2024). |
| 10.7 | Guaranty, dated as of April 5, 2024, by and between Acenzia Inc. and Streeterville Capital, LLC (incorporated by reference to Exhibit 10.4 to the Company's Current Report on form 8-K filed with the Commission on April 11, 2024). |
| 10.8 | Guaranty, dated as of April 5, 2024, by and between Novo Healthnet Limited and Streeterville Capital, LLC (incorporated by reference to Exhibit 10.5 to the Company's Current Report on form 8-K filed with the Commission on April 11, 2024). |
| 31.1* | Rule 13a-14(a) Certification of Principal Executive Officer. |
| 31.2* | Rule 13a-14(a) Certification of Principal Financial Officer. |
| 32.1** | 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. |
| 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: April 15, 2024

By: */s/ Robert Mattacchione*
Robert Mattacchione
Chief Executive Officer (principal executive officer)

Dated: April 15, 2024

By: */s/ Vivek Sethi*
Vivek Sethi
Principal Financial Officer (principal financial officer and principal accounting officer)

**EXHIBIT 31.1**

**CERTIFICATIONS**

I, Robert Mattacchione, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended February 29, 2024 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: April 15, 2024

By: */s/ Robert Mattacchione*
Robert Mattacchione
Chief Executive Officer (principal executive officer)

**EXHIBIT 31.2**

**CERTIFICATIONS**

I, Vivek Sethi, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended February 29, 2024 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: April 15, 2024

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

**EXHIBIT 32.1**

**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 February 29, 2024 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: April 15, 2024 | */s/ Robert Mattacchione* |
| | Robert Mattacchione, Chief Executive Officer<br>(principal executive officer) |
| Date: April 15, 2024 | */s/ Vivek Sethi* |
| | Vivek Sethi, Principal Financial Officer<br>(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.*