



**MANAGEMENT'S DISCUSSION AND ANALYSIS  
OF  
KOVO+ HOLDINGS INC.  
(FORMERLY KOVO HEALTHTECH CORPORATION)**

**FOR THE THREE AND NINE MONTHS ENDED  
SEPTEMBER 30, 2024 AND SEPTEMBER 30, 2023**

**DATED NOVEMBER 27, 2024**

## Management Discussion and Analysis (“MD&A”)

This Management’s Discussion & Analysis for the three and nine months ended September 30, 2024 and 2023, was prepared as of November 27, 2024, constitutes management’s review of the factors that affected the Corporation’s financial and operating performance for the period and guidance related to certain performance criteria subsequent to the quarter end. This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the audited consolidated financial statements of the Corporation for the year ended December 31, 2023 and as well as the unaudited condensed consolidated interim financial statements for three and nine months ended September 30, 2024 together with the notes thereto. Results are reported in thousands of US dollars, unless otherwise noted. The Corporation’s unaudited condensed consolidated financial statements and the financial information contained in this MD&A were prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board and interpretations of the IFRS Interpretations Committee.

For more detailed information regarding certain forward-looking statements contained herein, please see the note regarding “Forward-looking Statements.” The results of the operations, business prospects and financial condition of the Company will be affected by, among others, the risk factors set out in the note regarding “Risks and uncertainties.” Additional information about the Company can be found under the Company’s profile on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

### *Forward-Looking Statements*

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as “forward-looking statements”). These statements relate to future events or the Corporation’s future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as “plans”, “expects”, “is expected”, “budget”, “scheduled”, “estimates”, “continues”, “forecasts”, “projects”, “predicts”, “intends”, “anticipates” or “believes”, or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results “may”, “could”, “would”, “should”, “might” or “will” be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement.

Inherent in forward-looking statements are risks, uncertainties, and other factors beyond the Corporation’s ability to predict or control. For a complete list of the factors that could affect the Corporation, please make reference to those risk factors referenced in Risks and Uncertainties. Readers are cautioned that such risk factors, uncertainties and other factors are not exhaustive. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement. Specifically, this MD&A includes, but is not limited to, forward-looking statements regarding: The Corporation’s ability to meet its working capital needs at the current level for the next twelve-month period; management’s outlook regarding future trends; sensitivity analysis on financial instruments, which may vary from amounts disclosed; and general business and economic conditions. All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The Corporation undertakes no obligation to update publicly, or otherwise revise, any forward-looking statements, whether as a result of new information or future events or otherwise, except as may be required by law. If the Corporation does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

## Overview

Kovo + Holdings Inc. (Formerly Kovo HealthTech Corporation) (TSXV: KOVO) (“Kovo” or the “Company”) was incorporated in British Columbia, Canada on February 20, 2020. The Company’s head office is 1600 – 925 West Georgia Street, Vancouver, BC, V6C 3L2, Canada.

The Company provides technology-enabled revenue cycle management solutions to healthcare providers, from small practices to enterprise medical groups, hospitals, and health systems throughout the United States. Our integrated platform includes revenue cycle management (“RCM”), practice management (“PM”), electronic health records (“EHR”), business intelligence, patient experience management solutions and complementary software tools and business services for high-performance medical groups and health systems. The Company also offers printing and mailing and group purchasing services.

Kovo's vision is to enhance the experience for healthcare professionals across the North American healthcare industry by utilizing technology-driven solutions including the use of artificial intelligence (“AI”) to optimize Kovo’s established revenue cycle management capabilities.

In addition to driving organic growth in our core business, Kovo is proactively pursuing a disciplined acquisition strategy which targets buying \$1 of Annual Recurring Revenue (“ARR”) for every \$1 investment of debt or equity. Kovo targets medical billing operators with a minimum five-year operating track record to ensure consistent and predictable results. US investment banking firm Lawrence, Evans & Co, estimates a pipeline of more than 15,000 US potential acquisition targets operating within the \$1,000 to \$10,000 revenue range. To date, the Company has successfully acquired six RCM healthcare companies and has earned a reputation for effectively integrating the new companies resulting in improved overall profitability post integration.

Our technology-enabled business solutions can be categorized as follows:

### *Technology-enabled revenue cycle management:*

1. Comprehensive Revenue Cycle Management Services:

Provision of end-to-end medical billing, eligibility verification, and analytics, utilizing our proprietary technology platform or integrating third-party systems.

2. Medical Coding and Credentialing Services:

Implementation of coding and credentialing solutions designed to enhance provider collections, optimize cost containment, and maximize revenue realization for healthcare organizations.

3. Healthcare Claims Clearinghouse:

A platform for the electronic scrubbing and submission of claims, facilitating efficient payment processing from insurance providers.

4. Electronic Health Records (EHR):

Intuitive EHR systems, often integrated with our business services, that enhance patient care delivery, streamline clinical workflows, and reduce documentation errors, while also enabling qualification for government incentives.

5. Practice Management Software:

Comprehensive solutions that support daily operational and financial workflows, featuring automated insurance eligibility verification and a robust billing rules engine aimed at optimizing reimbursement.

6. Patient Experience Management Solutions:

Innovations such as mobile applications, contactless digital check-in, messaging, and online appointment scheduling tools designed to improve interactions between patients and healthcare providers.

7. Business Intelligence and Healthcare Analytics:

Advanced platforms that empower clients to derive actionable insights from extensive healthcare data, enhancing decision-making capabilities.

8. Customized Technology Solutions:

Tailored applications and interfaces designed to meet the specific needs of healthcare clients, supporting their unique operational requirements.

*Implementing Artificial intelligence (“AI”) Automation*

The value proposition of AI-enabled RCM is multi-faceted. By leveraging algorithms and advanced technology, healthcare organizations can streamline tasks like billing, coding, claims management, and revenue optimization which leads to increased accuracy, efficiency, and faster reimbursement.

- This transformative solution can reduce improper collections, minimizing the risk of compliance issues and maximizing revenue through improved accuracy.
- AI can cut support costs for RCMs and Electronic Medical Records (“EMR”), resulting in reduced resource requirements and increased provider productivity.
- The combination of AI services enables healthcare organizations to deliver higher quality, cost-effective care while freeing up valuable resources to support other critical areas of the organization.

Overall, the AI tool set revolutionizes healthcare operations and improves financial performance while enhancing patient care and outcomes. With the infusion of the AI tool sets and our vast knowledge of the RCM marketplace we are reintroducing to our current customers many and varied tools that will accelerate their customers business while reducing their costs.

AI Enabled RCM and Billing: An entity focused on AI for Practice Management and Revenue Cycle Management. The implementation of these AI tools will occur in a 4-stage approach.

**Stage 1:** focus on optimizing customer demographics and verification of payments.

**Stage 2:** utilize AI for optimizing appointments and collections, including the scheduling of follow-up appointments and reminders, and customizing billing and collection notices by dynamically reading the patient their Explanation of Benefits (“EOB”) and thereafter assessing what portion of each bill is covered by insurance and what is deemed the responsibility of the patient.

**Stage 3:** Focuses on RCM tasks through improvements for larger ADP and open practice systems and consolidating multiple family member bills into a single statement.

**Stage 4:** utilize AI for clinical decision support and financial optimization with EHR/EMR integration.

Through these phases, the integration of AI, coupled with effective EHR/EMR collaboration, is poised to significantly improve both the clinical and administrative aspects of healthcare, helping ensure better outcomes for patients and more efficient operations for healthcare providers.

### *Healthcare IT professional services & staffing:*

1. Comprehensive Professional Services:

A wide array of consulting offerings, including full software implementations, activation support, revenue cycle optimization, data analytics services, and educational training.

2. Strategic Advisory Services:

Expert guidance on system evaluations and selection, interim management, and operational assessments to enhance organizational effectiveness.

3. Workforce Augmentation and On-Demand Staffing:

Tailored staffing solutions to assist clients in expanding their operations, sourcing highly qualified personnel, and addressing staffing shortages.

## **Outlook**

Following the successful completion of the Reverse Takeover of Kovo Inc. (formerly MedWorx Inc.) and the listing of Kovo shares on the TSXV on June 4, 2021, the Company has been pursuing its growth strategy with one acquisition in 2021, two acquisitions in 2022, two acquisitions completed in 2023, and another two completed in Q3 2024. Collectively, these transactions position the Company to drive future growth through a combination of organic sales growth and a strategy to consolidate through the acquisition of additional RCM businesses.

The dynamics of the US healthcare market are critical to understanding the value of the roll up strategy. Healthcare billing in the United States is federally mandated and the two key tenets of the billing infrastructure are the Quality Payment Program (“QPP”) and the Merit-based Incentive Payment System (“MIPS”). The QPP was created by the Medicare Access and CHIP Reauthorization Act of 2015 (“MACRA”). The QPP transforms the Medicare physician payment system from one focused on volume to one focused on value. MIPS establishes the value-based payment program for healthcare practitioners, under which billings will be made going forward. The federal government’s Center for Medicare and Medicaid Services is the proponent of these two programs and has taken a strong stance with respect to these programs, requiring increased reporting obligations for participants. Management believes this will establish the value-based payment program as the predominant revenue model for all payers and providers in the next few years. Hence, the focus on RCM software and service solutions that enable financial risk and quality management at an enterprise level will be intensified. We believe this will also lead to larger healthcare systems consolidating their overall spend on core RCM solutions to a fewer number of incumbent or prominent market participants fueling a market consolidation.

Patients’ direct contribution to total provider revenue is increasing rapidly, allowing payers and providers to invest in self-service tools that improve patient’s overall engagement and financial experience by helping them schedule appointments, verify benefit eligibility, estimate financial responsibility, and facilitate secured payment online, from anywhere.

More patients are also deferring payment on their healthcare bills resulting in cash flow issues and solvency concerns for providers. Hence, back-end RCM processes continue to be important. RCM service providers that specialize in medical billing, bad debt collection and complex contract management will be working more closely with both payers (to provide input on sustainable premiums) and providers (to manage accounts receivable).

The Company is advancing its exploration of artificial intelligence within the medical sector, focusing on harnessing AI to drive substantial operational efficiencies, build new products and services, and improve profit margins. The Company will leverage the data that flows through its RCM software to develop in-house models that it can then offer to other medical companies. Kovo plans to provide more detail in this strategic initiative in the coming months.

The Company's acquisition strategy requires the onboarding of new acquisitions which takes time to fully bring the new operations into line with our long-term earnings performance. This process is common when acquiring companies during which working capital is required to invest into the acquisitions, best practices are instilled and functionality is streamlined from a corporate level. The management team has been able to, as shown by the positive working capital, and expects to continuously mitigate this over time as the businesses are integrated and generate consistent positive cash flows once streamlined.

## Financial Highlights

The Company's current highlights for the quarter include:

1. Completed the acquisition for 100% of the assets of Healthcare Data Management, an RCM business operating out of Maryland with a forecasted Annual Recurring Revenues ("ARR") of \$2,600
2. Avonlea Ventures #2 Inc. ("AVI") converted \$1,658 (CDN \$2,257) in debt to common shares, while reducing the previous forbearance fee by \$321. See Note 8 in the Condensed Consolidated Financial Statements for additional information.
3. The Company received its sixth, seventh, eighth, and ninth tranches of funding under the senior loan and security agreement with AVI aggregating to \$2,891 for the three-month period ending September 30, 2024.
4. Tech-Time debt settlement for a one-time payment of \$60 resulted in a \$57 gain on extinguishment of debt.
5. Retained services of Hybrid Financial Ltd. ("Hybrid Financial") to provide Institutional and Capital Markets consulting services to the Corporation. Hybrid Financial has been paid a one-time fixed fee of \$100 (CAD \$135), plus applicable taxes, for a six-month initial engagement period.
6. Subsequent to quarter end, the Company received funds in the amount of \$1,000 as its tenth tranche under the senior loan and security agreement with AVI, bearing interest at a rate of 12% per annum. See Note 15 in the Condensed Consolidated Financial Statements for additional information.
7. Subsequent to quarter end, the Company completed Asset Purchase Agreement for Right to Acquire Assets of AccelVue. See Note 15 in the September 30, 2024 Unaudited Condensed Consolidated Financial Statements for additional information.
8. Subsequent to quarter end, the Company to change name from "Kovo HealthTech Corporation" to "Kovo+ Holdings Inc." (the "Name Change"). See Note 15 in the Condensed Consolidated Financial Statements for additional information.

## Financial Performance

We consider numerous financial measures in assessing our performance. Key performance measures used by management, including quarter over quarter revenue growth, loss from operations, EBITDA<sup>1</sup>, adjusted EBITDA<sup>1</sup>, and payroll costs as a percentage of revenues, which are non-IFRS financial measures and included to enable management and investors to analyze and compare the underlying business results from period to period.

### Revenue Analysis

The Company generates revenue through six distinct streams:

1. Recurring Revenue from Revenue Cycle Management Services ("RCM" revenue)
2. Recurring licensing revenue from Inpatient systems
3. Recurring SaaS revenue for Ambulatory software and eHealth software
4. Recurring revenue from Credentialing Services
5. Recurring revenue from Hourly Services
6. Recurring revenue from associated services for our products (Including electronic claim process, eligibility for reimbursement verifications, and electronic remittance advice)

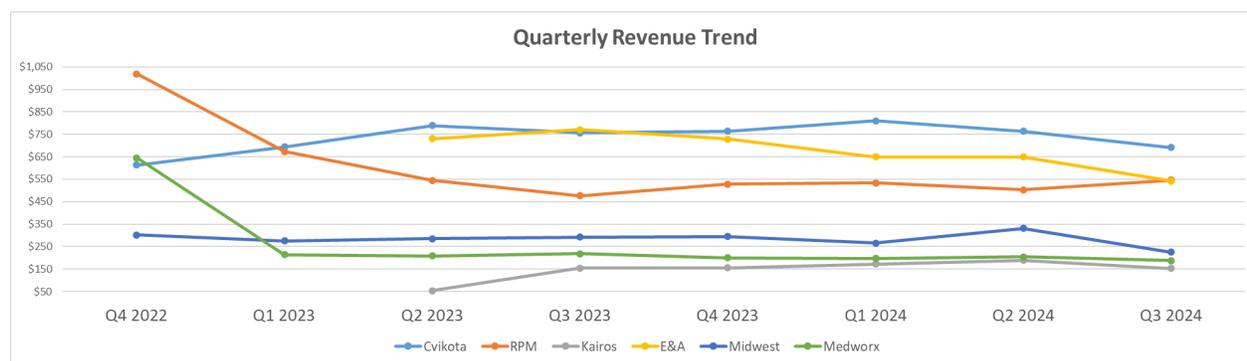
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<sup>1</sup> Non-GAAP measure. Earnings before interest, taxes, depreciation, and amortization ("EBITDA") and Adjusted EBITDA should not be construed as alternatives to net income/loss determined in accordance with IFRS. EBITDA and Adjusted EBITDA do not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other issuers. The Company defines Adjusted EBITDA as EBITDA before goodwill or customer list impairment costs, equity and stock-based expenses, unrealized foreign exchange gains or losses, non-recurring transaction and financings costs and recurring government loans that are eligible to be 100% forgiven by government mandate. The Company believes that Adjusted EBITDA is a meaningful financial metric as it measures cash generated from operations which the Company can use to fund working capital requirements, service future interest and principal debt repayments and fund future growth initiatives on a normalized earnings basis.

Overall, the corporation highlights that revenues for the last eight quarters have been relatively stable with minor changes for regular seasonality impacts on the volumes of client, alongside occasional variations from new client acquisitions or terminations. We have analyzed the quarter over quarter changes in revenue from Medworx Inc. and the six company's that we have acquired to date, including:

- RPM Billing LLC (“RPM”) acquired on March 2, 2020,
- Midwest Medical Billing Service Inc. (“Midwest”) acquired on July 1, 2021,
- The Cvikota Company Inc. (“Cvikota”) acquired on November 1, 2021,
- E&A Medical Billing (US Corporation) (“E&A”) acquired on April 20, 2023,
- Kairos Billing Solutions LLC (“Kairos”) acquired on June 6, 2023, and
- Healthcare Data Management (“HDM”) acquired on August 31, 2024.

The graph below summarizes the Company’s quarterly revenue trends by operating entity:



Medworx Inc. averages \$205 in revenues per quarter with a -2% average change in quarterly revenues over the past eight quarters. The average quarterly revenues of \$205 factors out the anomaly of the \$433 one-time sale of customized software intellectual property which occurred in Q4 2022. This subsidiary’s Q3 2024 revenues aggregate to \$188 which is below the average quarterly revenues due to lower volumes.

Midwest averages \$284 in revenues per quarter with a -3% average change in quarterly revenues over the past eight quarters. This subsidiary’s Q3 2024 revenues aggregate to \$225 which is below the average quarterly revenues due to the retirement of one long term client.

Cvikota averages \$735 in revenues per quarter with a +2% average change in quarterly revenues over the past eight quarters. This subsidiary’s Q3 2024 revenues aggregate to \$692 which is below the average quarterly revenues due to a lower volume of medical billings during the quarter.

RPM averages \$603 in revenues per quarter with a -7% average change in quarterly revenues over the past eight quarters. This subsidiary’s Q3 2024 revenues aggregate to \$547 which is below the average. This is due to two material clients retiring in Q4 2022. The normalized average revenue per quarter for RPM post dispute aggregates to \$544 which is slightly below the Q3 2024 actual revenue due to higher than normal volumes billed this quarter.

E&A averages \$679 in revenues per quarter with a -5.5% average change in quarterly revenues over the past six quarters since the acquisition. This subsidiary’s Q3 2024 revenues aggregated to \$542 which is below the average quarterly revenues due to the residual impact of the Change Healthcare cyber attack from February 2024. Normalized quarterly revenues for E&A are historically around \$613 per quarter.

Kairos averages \$165 in revenues per quarter with a +1% average change in quarterly revenues over the past five quarters since the acquisition. This subsidiary’s Q3 2024 revenues aggregated to \$153 which is below the average quarterly revenues due to a lower volume of medical billings.

HDM was formally acquired on August 31, 2024 to which the first billing cycle recorded as revenue for the Company will be in October 2024. Therefore, no revenues for HDM have been recorded in Q3 2024. The average quarterly revenues prior to the acquisition were \$650.

The Company's consolidated Q3 2024 revenue decreased to \$2,382 from \$2,685 in Q2 2024. The adverse impact driven by Change Healthcare going offline in Q1 2024 has been normalized as of Q3 2024 and any delays in E&A revenues were temporary. Year-over-year ("YoY") revenue is lower in Q3 2024 compared to Q3 2023 as the current year figures were negatively impacted by the Change Healthcare cyber attack.

### **Cost Structure and Analysis**

#### ***Salaries and Benefits:***

The favorable decrease in Q3 2024 salaries and benefits for three and nine months ended September 30, 2024 at \$2,041 and \$6,490 (for the three and nine months ended September 30, 2024 – \$2,358 and \$6,277) is consistent with restructuring efforts that occurred in Q3 2024 and are starting to materialize.

#### ***General and Administrative costs:***

The increase in 2024 operating costs for the three and nine months ended September 30, 2024 is due to general and administrative costs at \$1,237 and \$2,568, respectively (for the three and nine months ended September 30, 2023 – \$803 and \$2,154) due to a one-time costs including payout of former Executive at \$210, HDM acquisition fees at \$60, and \$215 in legal fees to secure additional debt financing.

General and administrative expenses consist primarily of professional expenses, software & IT license fees, professional expenses, and public company expenses. The table below summarizes the general and administrative expenses.

	For the three months ended		For the nine months ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
	\$	\$	\$	\$
Professional expenses	726	286	1,266	864
Software & IT	79	92	299	250
Public company expenses	78	71	231	226
Office expenses	184	130	392	363
Processing fees	142	180	329	351
Other general and administrative	28	44	51	100
<b>General and administrative expenses</b>	<b>1,237</b>	<b>803</b>	<b>2,568</b>	<b>2,154</b>

#### ***Share-based compensation:***

Non-cash share-based compensation expense is determined using the Black–Scholes pricing model which incorporates all market vesting conditions on grant date. The expense is recorded over the vesting period.

The decrease of non-cash stock-based compensation expense for the three and nine months ended September 30, 2024 of \$1 and \$36 (for the three and nine months ended September 30, 2023 - \$21 and \$245) has positively impacted the operating loss.

#### ***Depreciation and Amortization:***

Depreciation and Amortization expense is charged using the straight-line method over the estimated useful lives of the assets. Depreciation and amortization for three and nine months ended September 30, 2024 \$239 and \$685 (for the three and nine months ended September 30, 2023 - \$204 and \$546). Depreciated assets during 2024 relate to intangible assets, right-of-use assets and property and equipment.

### ***Interest Expense and Interest Income:***

Interest Income, Interest Expense and Other Expense. Interest income represents interest earned on temporary cash investments and late fees from customers. Interest expense consists primarily of interest costs related to our term loans and the amortization of deferred financing costs. Other expense - net results primarily from foreign currency transaction (losses)/gains.

Interest expense for the three and nine months ended September 30, 2024 totaled \$536 and \$1,640 (for the three and nine months ended September 30, 2023 \$144 and \$455) which included \$439 of interest related to the AV debt, and interest paid and/or accrued on debt and accretion on leases.

### ***Other Expenses:***

Other expenses for the three and nine months ended September 30, 2024 at \$200 and \$200 (for three and nine months ended September 30, 2023 – \$3 and \$426) relates to one-time payout for former Executives.

### ***Financing Charges:***

Financing charges (forgiven)/expenses for the three and nine months ended September 30, 2024 at (\$321) forgiven and \$589 (for three and nine months ended September 30, 2023 – \$2 and \$1). The financing charges forgiven relates to Avonlea debt conversion transaction (Refer to Note 8 in the September 30, 2024 Unaudited Condensed Consolidated Financial Statements for more information) on July 24, 2024.

### ***Other Income:***

Other income for the three and nine months ended September 30, 2024 at \$57 and \$57 (for three and nine months ended September 30, 2023 – nil and nil). Other income of \$57 relates to the Tech-Time debt settlement agreement (Refer to Note 8 in the Condensed Consolidated Financial Statements for more information).

### **Profitability Metrics**

These non-IFRS financial measures should not be considered in isolation, or as a substitute for or superior to, financial measures calculated in accordance with IFRS as issued by the International Accounting Standards Board and interpretations of the IFRS Interpretations Committee. Moreover, these non-IFRS financial measures have limitations in that they do not reflect all the items associated with the operations of our business as determined in accordance with IFRS. The Company compensates for these limitations by analyzing current and future results on a IFRS basis as well as a non-IFRS basis, and they provide reconciliations from the most directly comparable IFRS financial measures to the non-IFRS financial measures. The non IFRS financial measures may not be comparable to similarly titled measures of other companies. Other companies, including companies in their industry, may calculate similarly titled non-IFRS financial measures differently than we do, limiting the usefulness of those measures for comparative purposes. Loss from operations, EBITDA, Adjusted EBITDA, and payroll as a percentage of revenues provides an alternative view of performance used by management and we believe that an investor's understanding of our performance is enhanced by disclosing these adjusted performance measures.

Operating loss for the three and nine months ended September 30, 2024 totaled \$1,136 and \$2,056 (for the three and nine months ended September 30, 2023 - \$654 and \$1,929). The deterioration in operating loss for the three months is due to a combination of client retirements from E&A, Cvikota, and Midwest RCM company's and one-time nonrecurring costs which occurred in Q3 2024. Material non-recurring costs include acquisition related costs for HDM, severance fees for former Executives, and financing charges for debt receipts issued from Avonlea senior loan and security agreement.

Adjusted EBITDA excludes the following elements which are included in IFRS net loss:

- Stock-based compensation includes cash-settled awards and related taxes, based on changes in the stock price

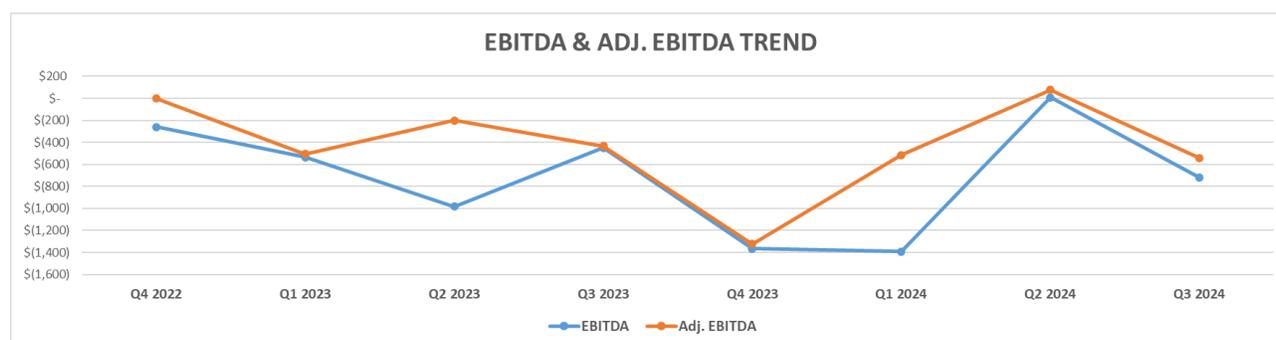
- Unrealized foreign exchange gains or losses,
- Integration costs, such as severance amounts paid to employees from acquired businesses, and transaction costs, such as brokerage fees, pre-acquisition accounting costs and legal fees and exit costs related to contractual agreements;
- One time costs incurred as part of an acquisition,
- Net loss on lease terminations, unoccupied lease charges and restructuring costs,
- Gain or loss on early extinguishment of debt, and
- Other non-recurring transaction and financings costs.

Below is a presentation of our adjusted EBITDA for the three and nine months ended September 30, 2024 and 2023:

Note	For the three months ended		For the nine months ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
	\$	\$	\$	\$
Net Loss	(1,494)	(797)	(4,428)	(2,969)
Add back:				
Interest	536	144	1,640	455
Depreciation	239	204	685	546
Total	775	348	2,325	1,001
<b>EBITDA</b>	<b>(719)</b>	<b>(449)</b>	<b>(2,103)</b>	<b>(1,968)</b>
<b>Adjusted EBITDA</b>				
Adjustments:				
Executive Severance	281	-	281	-
Professional fees for debt receipts	215	-	215	-
Brokerage Fees HDM Acquisition	60	-	60	-
Loss on loan modification	-	(3)	-	426
Non-cash equity issuances	1	21	36	245
Acquisition and financing expenses	(321)	-	589	191
Gain on extinguishment of debt	(57)	-	(57)	(31)
Unrealized foreign exchange (gain)/loss	-	(1)	-	-
Total	179	17	1,124	831
<b>Adjusted EBITDA</b>	<b>(540)</b>	<b>(432)</b>	<b>(979)</b>	<b>(1,137)</b>

The Company's EBITDA for the three and nine months ended September 30, 2024 was a loss of \$719 and \$2,103 (for three and nine months ended September 30, 2023 EBITDA loss of \$449 and \$1,968). Adjusted EBITDA for the three and nine months ended September 30, 2024 was a loss of \$540 and \$979 (for three and nine months ended September 30, 2023 loss of \$432 and \$1,137). The Adjusted EBITDA shows the normalized run rate of the operations excluding one-time charges that do not reflect the true operating run rate of the business.

Set forth below is a trend analysis of EBITDA and Adjusted EBITDA over the last eight quarters.



Q3 2024 Adjusted EBITDA factors out non-recurring events such as \$539 in forbearance fees related to Avonlea debt, \$281 in severance payable to former Executives, \$60 brokerage fee for the HDM acquisition, and the \$57 gain on extinguishment of Tech-Time debt.

In 2023, Kovo invested in Kovo Cloud, a cloud based Electronic Medical Record (EMR) solution. The total addressable market opportunity for EMRs as of 2023 was [approximately \\$32 billion dollars](#). Kovo saw an opportunity to cross sell its RCM services to the 2,250 health care practitioners and growing. The cross sell was expected to feed increased RCM sales while creating an additional moat for its EMR solution and providing a more holistic solution for healthcare efficiency. Cloud sales also offered an opportunity for higher gross margins than traditional RCM services. Unfortunately, the Company's working capital position eroded by the end of 2023 due to the significant investment required. In February of 2024, the Board of Directors re-prioritized getting its cash flow to break even by continuing to build on its RCM businesses, thus forcing the Company to shut down its Kovo Cloud operations and ancillary teams associated with the business line. The Company's objective as of the date of these financials is to return to cash flow positive and EBITDA positive while focusing on its core RCM businesses. The Company may invest in EMR solutions or partnerships in the future, but at this time it has exited out of the business line.

#### *Payroll Costs as a Percentage of Sales*

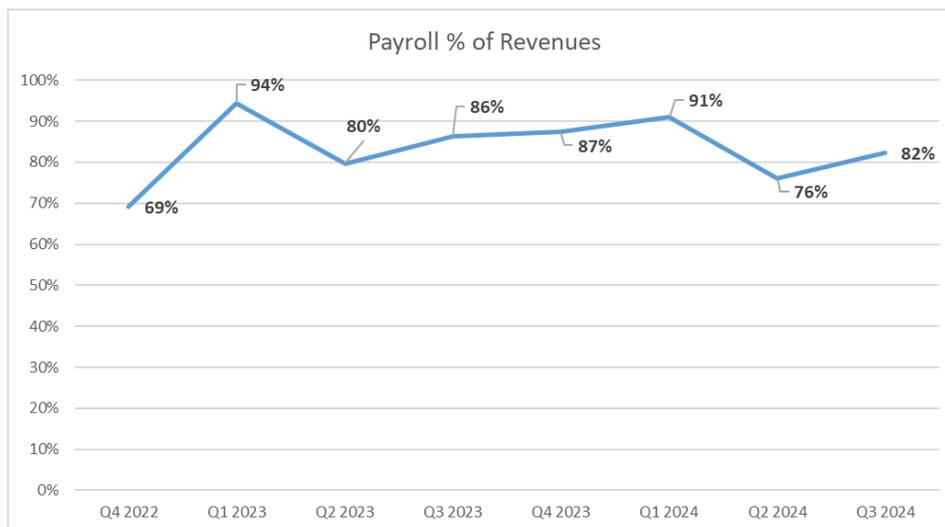
The Company monitors payroll as a percentage of revenues as one of its key financial profitability metrics due to Kovo's workforce being the main driver of sales and operations but also the source of its largest expenditure. To ensure the Company is on its way to achieving its profitability objectives it is necessary that we understand where we can and where we can not flex our workforce to manage changes in the business conditions.

With the Company's growth, operating costs have increased partly due to a higher overall headcount in personnel. As part of the Company's integration process, the Company reduces payroll costs post-acquisition. Payroll as a percentage of sales in 2023 and July 2024 has been higher than our expectations due to the Company investing into increased sales teams and developers for the Kovo Cloud platform.

In February 2024 the Company pivoted away from any further software development. The Company expected to return to more historical levels around 70% by Q3 2024 with the informal restructuring of its sales and marketing efforts, focusing further on its RCM initiatives. However, the Company has RCM clients retiring at the end of Q2 2024 which negatively impacted revenues. Even though payroll costs were flat quarter over quarter the decrease in Q3 2024 revenues has resulted in unfavorable payroll as a percentage of sales increasing to 82%.

Furthermore, we normalized the Q3 2024 salaries and benefits figure factoring out all costs related to new personnel joining the Kovo organization through the acquisition of HDM. As HDM RCM operation does begin to generate revenues until Q4 2024. However, Kovo has incurred the HDM salary and benefits costs for the month of September 2024. Subsequent to quarter end, the Company obtained AI capabilities through the asset purchase agreement for AccelVue. Over the next four quarters the Company will be integrating the AI capabilities throughout the organization with the expectation of improved medical billing efficiencies resulting in reduced payroll related costs.

Payroll as a percent of revenues trending over the last eight quarters:



## Financial Position

Total assets increased to \$12,320 as of September 30, 2024 compared to \$9,257 at December 31, 2023. Cash-on-hand increased to \$181, intangible assets increased to \$5,919 from \$4,338 as at December 31, 2023 largely due to the intangibles obtained as part of the HDM. As of September 30, 2024, right of use assets decreased to \$120 from \$250 as of December 31, 2024 due to monthly amortization. No additions, disposal or other adjustments to right of use assets in 2024. Goodwill increased by \$1,320 to \$5,287 for the period ending September 30, 2024, due to the acquisition of HDM on August 31, 2024. Previously, Goodwill related to the purchase of RPM Medical Billing (May 2021), Midwest (July 2021), Cvikota (November 2021), E&A (April 2023) and Kairos (June 2023). The Company believes the value of the assets is reasonable as sales volumes have met or exceeded forecast and this trend is expected to continue in subsequent quarters based on the updated ARR of \$11,700 as of September 30, 2024.

Total liabilities increased to \$15,263 as of September 30, 2024 from \$9,556 on December 31, 2023. The increase is driven by additional funding received in the aggregate of \$2,891 under the AVI senior debt agreement and a \$2,200 promissory note payable as part of the HDM acquisition.

As at September 30, 2024, the Company had a working capital deficit of \$10,637 (December 31, 2023 - \$6,177) and an accumulated deficit of \$15,371 (December 31, 2023 - \$10,943). The Company has not yet achieved profitable operations and expects to incur further losses in the development of its businesses, prior to becoming profitable. These balances and the changes period over period indicate that there are material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

As of September 30, 2024, the Company had 119,951,673 common shares outstanding (December 31, 2023 – 57,543,906 common shares outstanding). Which includes transactions for the three months ended September 30, 2024, common shares issued and outstanding for the AVI debt conversion. As of the reporting date the Company has 133,131,711 common shares outstanding.

	Note	Number of common	Share capital	Contributed	Deficiency	Total
<b>Balances as at December 31, 2022</b>		<b>39,943,906</b>	<b>5,803</b>	<b>1,380</b>	<b>(6,259)</b>	<b>924</b>
Share-based compensation	10	-	-	245	-	245
Acquisition share issuance	10	17,600,000	2,878	-	-	2,878
Warrants issued	10	-	-	338	-	338
Net loss and comprehensive loss		-	-	-	(2,969)	(2,969)
<b>Balances as at September 30, 2023</b>		<b>57,543,906</b>	<b>8,681</b>	<b>1,963</b>	<b>(9,228)</b>	<b>1,416</b>
<b>Balances as at December 31, 2023</b>		<b>57,543,906</b>	<b>8,787</b>	<b>1,857</b>	<b>(10,943)</b>	<b>(299)</b>
Share-based compensation	10	-	-	36	-	36
Share issuance for debt conversion	8, 10	62,407,767	1,658	-	-	1,658
Net loss and comprehensive loss		-	-	-	(4,428)	(4,428)
<b>Balances as at September 30, 2024</b>		<b>119,951,673</b>	<b>10,445</b>	<b>1,893</b>	<b>(15,371)</b>	<b>(3,033)</b>

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

The Company has stock options and warrants that are issued and exercisable. However, the weighted average exercise price for both stock options and warrants are out of the money.

The stock option activity for the period were as follows:

	Number of Options	Weighted Average
As at December 31, 2023	3,135,882	\$ 0.32
Forfeited	(25,000)	\$ 0.12
Outstanding as at September 30, 2024	3,110,882	\$ 0.32
Exercisable as at September 30, 2024	3,079,632	\$ 0.29

As of September 30, 2024, the Company had the following stock options outstanding:

Exercise Price	Number of options outstanding	Weighted average remaining life (months)
\$ 0.49	350,000	2
\$ 0.15	2,055,882	5
\$ 0.62	500,000	21
\$ 0.73	105,000	78
\$ 0.31	100,000	88
	3,110,882	12

### Accounting pronouncements

The accounting policies applied are consistent with the significant accounting policies used in the preparation of the audited annual consolidated financial statements for the year ended December 31, 2023.

### New accounting standards and interpretations of the International Financial Reporting Committee issued but not yet effective

Several new, but not yet effective Standards and amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards or amendments to existing Standards have been adopted early by the Company. The Company anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Company's unaudited interim condensed consolidated financial statements.

## Critical accounting estimates

### Estimates and key sources of estimate uncertainty

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions at the date of the consolidated financial statements that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities and the reported amounts of revenue and expenses during the reporting periods. Management has identified accounting estimates that it believes are most critical to understanding the consolidated financial statements and those that require the application of management's most subjective judgements, often requiring estimates about the effect of matters that are inherently uncertain and may change in subsequent periods. The Company's actual results could differ from these estimates and such differences could be material.

The estimates applied and key sources of estimate uncertainty are consistent with those used in the preparation of the audited annual consolidated financial statements for the year ended December 31, 2023.

### Operating Results:

The following table sets forth our consolidated results of operations as a percentage of total revenue for the periods shown:

	For the three months ended		For the nine months ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
	\$	\$	\$	\$
<b>Revenue</b>				
RCM revenue	88.7%	87.8%	89.0%	87.0%
Inpatient systems	4.9%	4.3%	4.5%	4.8%
Software revenue	1.6%	2.0%	1.8%	2.1%
Credentialing Services	1.4%	2.4%	1.4%	2.2%
Ambulatory software	1.6%	1.6%	1.5%	1.9%
Hourly Services	1.8%	1.9%	1.8%	2.1%
<b>Total revenue</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Operating expenses</b>				
Salaries and benefits	85.7%	86.3%	84.0%	86.1%
General and administrative	51.9%	29.4%	33.3%	29.5%
Share-based compensation	0.0%	0.8%	0.5%	3.4%
Depreciation and amortization	10.0%	7.5%	8.9%	7.5%
<b>Total operating expenses</b>	<b>147.7%</b>	<b>123.9%</b>	<b>126.6%</b>	<b>126.5%</b>
<b>Net operating loss</b>	<b>(47.7%)</b>	<b>(23.9%)</b>	<b>(26.6%)</b>	<b>(26.5%)</b>
<b>Other income (expense)</b>				
Interest expense	(22.5%)	(5.3%)	(21.2%)	(6.2%)
Other expense	(8.4%)	0.1%	(2.6%)	(5.8%)
Financing charges	13.5%	(0.1%)	(7.6%)	0.0%
Acquisition-related expenses	0.0%	0.0%	0.0%	(2.6%)
Other income	2.4%	0.0%	0.7%	0.4%
<b>Net other expense</b>	<b>(15.0%)</b>	<b>(5.2%)</b>	<b>(30.7%)</b>	<b>(14.3%)</b>
<b>Net loss and comprehensive loss</b>	<b>(62.7%)</b>	<b>(29.2%)</b>	<b>(57.3%)</b>	<b>(40.7%)</b>

Comparison of the three and nine months ended September 30, 2024 and 2023:

	Three months ended September		Change		Nine months ended September		Change	
	2024	2023	Amount	Percent	2024	2023	Amount	Percent
RCM revenue	2,112	2,399	(287)	(12.0%)	6,875	6,344	531	8.4%
Inpatient systems	117	117	-	0.0%	347	353	(6)	(1.7%)
Software revenue	38	56	(18)	(32.1%)	136	154	(18)	(11.7%)
Credentialing Services	34	65	(31)	(47.7%)	107	157	(50)	(31.8%)
Ambulatory software	38	44	(6)	(13.6%)	118	135	(17)	(12.6%)
Hourly Services	43	51	(8)	(15.7%)	140	150	(10)	(6.7%)
<b>Total revenue</b>	<b>2,382</b>	<b>2,732</b>	<b>(350)</b>	<b>(12.8%)</b>	<b>7,723</b>	<b>7,293</b>	<b>430</b>	<b>5.9%</b>

Revenue of \$2,381 and \$7,723 for the three and nine months ended September 30, 2024, respectively, decreased by \$350 or 12.8% and increased by \$430 or 5.9% from revenues of \$2,732 and \$7,293 for the three and nine months ended September 30, 2023, respectively. Revenue for the three and nine months ended September 30, 2024 includes \$117 and \$347 relating to inpatient systems, \$38 and \$136 relating to software services, \$34 and \$107 for credentialing services, \$38 and \$118 relating to ambulatory software, and \$43 and \$140 relating to hourly services. For the nine months ended September 30, 2024 revenues have increased due to nine months of revenues from the E&A and Kairos acquisitions. For the three months ended September 30, 2024 the decrease in revenues is due to a combination of terminated clients and lower billing volumes.

	Three months ended September		Change		Nine months ended September		Change	
	2024	2023	Amount	Percent	2024	2023	Amount	Percent
Salaries and benefits	2,041	2,358	(317)	(13.4%)	6,490	6,277	213	3.4%
General and administrative	1,237	803	434	54.0%	2,568	2,154	414	19.2%
Share-based compensation	1	21	(20)	(95.2%)	36	245	(209)	(85.3%)
Depreciation and amortization	239	204	35	17.2%	685	546	139	25.5%
<b>Total operating expenses</b>	<b>3,518</b>	<b>3,386</b>	<b>132</b>	<b>3.9%</b>	<b>9,779</b>	<b>9,222</b>	<b>557</b>	<b>6.0%</b>

Operating expenses were \$3,518 and \$9,779 for the three and nine months ended September 30, 2024, respectively, increased by \$132 or 3.9% and increased by \$557 or 6.0% from operating expenses of \$3,386 and \$9,222 for the three and nine months ended September 30, 2023, respectively. Operating expenses for the three and nine months ended September 30, 2024 includes \$2,041 and \$6,490 relating to salaries and benefits, \$1,237 and \$2,568 relating to general and administrative expenses, \$1 and \$36 for share-based compensation, and \$239 and \$685 relating to depreciation and amortization. For the three months ended September 30, 2024, the change in operating expenses is due to a combination a reduction in salaries and benefits by \$317 due to the reduction in headcount from the restructuring in Q2 2024 offset by an increase in general and administrative costs by \$434 due to professional fees.

	Three months ended September		Change		Nine months ended September		Change	
	2024	2023	Amount	Percent	2024	2023	Amount	Percent
Interest expense	(536)	(144)	(392)	272%	(1,640)	(455)	(1,185)	260%
Other expense	(200)	3	(203)	(6767%)	(200)	(426)	226	(53%)
Financing charges	321	(2)	323	(16150%)	(589)	1	(590)	(59000%)
Acquisition-related expenses	-	-	-	0%	-	(191)	191	(100%)
Other income	57	-	57	100%	57	31	26	84%
<b>Net other expense</b>	<b>(358)</b>	<b>(143)</b>	<b>(215)</b>	<b>150%</b>	<b>(2,372)</b>	<b>(1,040)</b>	<b>(1,332)</b>	<b>128%</b>

Net other expenses were \$358 and \$2,372 for the three and nine months ended September 30, 2024, respectively, decreased by \$215 or 150% and decreased by \$1,332 or 128% from net other expenses of \$143 and \$1,040 for the three and nine months ended September 30, 2023, respectively. Net other expenses for the three and nine months ended September 30, 2024 includes \$536 and \$1,640 relating to interest expense on the AVI debt, \$200 and \$200

relating to former Executive payout, (\$321) and \$589 for financing charges (forgiveness) to secure funding, and \$57 and \$57 of other income relating to gain on extinguishment of Tech Time debt.

Furthermore, during Q3 2024 the Company successfully completed the acquisition of Healthcare Data Management (“HDM”). The details of the transactions are summarized below.

#### *Healthcare Data Management Acquisition (“HDM”) Acquisition*

On August 31, 2024, we completed the acquisition of the RCM business HDM, acquiring 100% of HDM’s assets. The purchase price was Three-Million, Three Hundred Thousand U.S. Dollars (\$3,300). The consideration provided by the Company consists of:

- (i) Cash payment of One-Million, One Hundred Thousand U.S. Dollars (\$1,100) on the closing date, and
- (ii) Deferred Purchase Price and Promissory Note of Two-million, Two hundred thousand U.S. Dollars (\$2,200) at an Twelve Percent (12%) interest rate per annum. The principal balance is to be paid in four equal installments at six (6) months, twelve (12) months, eighteen (18) months, and twenty-four (24) months post-closing, with interest only payments to be made monthly.

Kovo funded the acquisition of HDM with funds provided through its senior loan and security agreement with Avonlea Ventures #2 Inc. (“AVI”).

HDM generated revenue (reported in accordance with GAAP) of USD\$2.56 million for the annual period commencing August 1, 2023 and ending July 31, 2024 (unaudited). In connection with the Acquisition, the Corporation paid finders fees in the amount of \$60, representing 2% of the Purchase Price.

#### **Reconciliation of Non-IFRS Measures**

This MD&A makes reference to certain non-IFRS measures. These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of the Company’s results of operations from management’s perspective. The Company’s definitions of non-IFRS measures used in this MD&A may not be the same as the definitions for such measures used by other companies in their reporting. Non-IFRS measures have limitations as analytical tools and should not be considered in isolation nor as a substitute for analysis of the Company’s financial information reported under IFRS. The Company uses non-IFRS financial measures, including “EBITDA”, “Adjusted EBITDA” and “Adjusted EBITDA Margin” to provide investors with supplemental measures of its operating performance and to eliminate items that have less bearing on operating performance or operating conditions and thus highlight trends in its core business that may not otherwise be apparent when relying solely on IFRS financial measures. Specifically, the Company believes that Adjusted EBITDA, when viewed with the Company’s results under IFRS and the accompanying reconciliations, provides useful information about the Company’s business without regard to potential distortions. By eliminating potential differences in results of operations between periods caused by factors such as depreciation and amortization methods and restructuring, impairment and other charges, the Company believes that Adjusted EBITDA can provide a useful additional basis for comparing the current performance of the underlying operations being evaluated. The Company believes that securities analysts, investors and other interested parties frequently use non-IFRS financial measures in the evaluation of issuers. The Company’s management also uses non-IFRS financial measures in order to facilitate operating performance comparisons from period to period.

“EBITDA” means net income (loss) before amortization and depreciation expenses, finance and interest costs, and provision for income taxes.

“Adjusted EBITDA” adjusts EBITDA for goodwill or customer list impairment costs, equity and stock-based expenses, unrealized foreign exchange gains or losses, non-recurring transaction and financings costs and recurring government loans that are eligible to be 100% forgiven by government mandate (“PPP Loans”).

The term Annual Recurring Revenue (“ARR”) is a non-IFRS measure and refers to multiplying the monthly revenue for a current month. ARR is a metric typically used by recurring revenue companies to communicate run rate at a specific moment in time.

## **Liquidity and Capital Resources**

As of September 30, 2024, the Company had total cash of \$181 (December 31, 2023 – \$102) and net working deficit of \$10,637 (December 31, 2023 – \$6,177). For the nine months ended September 30, 2024, cash used by operations was \$3,103 offset by cash provided by investing and financing activities of \$3,182 resulting in an increase in cash of \$79.

Historically, management has been able to finance operations through private placements and debt financing, and will continue, as appropriate, to seek financing from these and other sources; however, there are no assurances that any such financings can be obtained on favourable terms, if at all. In view of these conditions, the ability of the Company to continue as a going concern is dependent upon its continued ability to obtain financing, generate sufficient cash flows and ultimately, achieve profitable operations. There can be no assurance that the steps management is taking will be successful.

The Company’s future capital requirements will depend on many factors, including, among others, its ability to earn cash flow from operations. Should the Company wish to pursue current and future business opportunities, additional funding will be required. If additional funds are raised through the issuance of equity securities, the percentage ownership of current shareholders will be reduced. No assurance can be given that additional financing will be available, or that it can be obtained on terms acceptable to the Company and its shareholders. If adequate funds are not available, the Company may not be able to meet its contractual requirements.

The accounts receivable of the business are typically collected in a 30-day period, with limited collectability risk. The Company uses cash flow from operations, short term debt and long-term debt to fund operations. The Company manages its working capital needs and has sourced financing as needed. The Company’s working capital can be impacted as noted in the Risks section by various factors. At this time the Company can generate sufficient cash from operating cash flows through prudent management of costs, particularly payroll costs relative to customer billings which are tracked monthly on a customer-by-customer basis. The Company has accessed debt and equity financing sources as appropriate to meet its working capital needs as noted in the statement of cash flows. See “Contractual Obligations” for further details on payments required over the next several years.

The capital expenditures are limited to software development staff and software consultants. These expenses for the three and nine months ended September 30, 2024 totaled \$15 and \$135 (for the three and nine months ended September 30, 2023 – \$125 and \$275). The software development related payroll expenses are committed; however, the Company could reduce staffing if necessary to meet its working capital needs while ensuring no loss in services to its customers. The Company does not have any other significant capital expenditure commitments. The Company sourced financing through debt, equity and government loans as needed to meet its working capital requirements. The Company has also raised equity when appropriate and as required to support the growth of its operations.

## Liquidity Position

	For the three months ended		For the nine months ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
	\$	\$	\$	\$
<b>OPERATING ACTIVITIES</b>				
Net loss and comprehensive loss	(1,494)	(797)	(4,428)	(2,969)
Adjustments for non-cash items:				
Depreciation and amortization	239	205	685	546
Debt servicing costs	(321)	-	589	-
Interest expense	461	(1)	1,361	52
Accretion expense on lease liabilities	5	8	17	23
Share based compensation	1	21	36	245
Gain on lease modification	-	3	-	(11)
Gain from extinguishment of debt	(57)	-	(57)	428
Net change in working capital:				
Accounts receivable	5	45	77	79
Other receivables and prepaid expenses	(115)	3	(220)	88
Accounts payable and accrued liabilities	(278)	490	(1,163)	839
Taxes payable	-	(9)	-	(27)
Contract liabilities	-	-	-	(2)
<b>Net cash used in operating activities</b>	<b>(1,554)</b>	<b>(32)</b>	<b>(3,103)</b>	<b>(709)</b>
<b>INVESTING ACTIVITIES</b>				
Additions to capitalized software costs	(15)	(125)	(135)	(275)
Additions to property and equipment	(5)	(2)	(5)	(28)
Acquisition of AccelVue	0	-	0	-
Acquisition of HDM	(3,300)	-	(3,300)	-
Acquisition of E&A	-	-	-	(2,700)
Acquisition of Kairos	-	-	-	(150)
Receipts on notes receivable	-	2	-	5
<b>Net cash used in investing activities</b>	<b>(3,320)</b>	<b>(125)</b>	<b>(3,440)</b>	<b>(3,148)</b>
<b>FINANCING ACTIVITIES</b>				
Net receipts on debt	5,091	-	6,841	3,263
Net payments on debt	(71)	(24)	(75)	(2,890)
Share issuance for debt conversion	(1,658)	-	(1,658)	-
Proceeds from issuance of common shares, net of financing costs	1,658	-	1,658	3,216
Lease payments	(49)	(53)	(144)	(137)
<b>Net cash from financing activities</b>	<b>4,971</b>	<b>(77)</b>	<b>6,622</b>	<b>3,452</b>
<b>Net (decrease)/increase in cash</b>	<b>97</b>	<b>(234)</b>	<b>79</b>	<b>(405)</b>
Cash balance, beginning of period	84	521	102	692
<b>Cash balance, end of period</b>	<b>181</b>	<b>287</b>	<b>181</b>	<b>287</b>

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

### Operating Activities

During the three and nine months ended September 30, 2024, the Company used a total of \$1,554 and \$3,103 cash on operating activities (for the three and nine months ended September 30, 2023 – \$32 and \$709) related to the net loss and comprehensive net loss and the decrease accounts payable balances. Cash used in operating activities was partly offset by higher non-cash expenses, including debt servicing cost, interest expense, depreciation and amortization offsets. For the three and nine months ended September 30, 2024, G&A expenses increased by \$434 and \$414 versus the three and nine months ended September 30, 2023. This increase is driven by the increase in professional expenses due to legal dispute with former executive and HDM acquisition fees. The largest use of cash was for payroll, however, there has been a notable decrease in payroll costs for the three-month period ending September 30, 2024 due to restructuring personal in July 2024.

### Investing Activities

During the three and nine months ended September 30, 2024, net cash used in investing activities amounted to \$3,320 and \$3,440 (for the three and nine months ended September 30, 2023 – \$125 and \$3,148). Cash used in investing activities related to additions to capitalized software costs of \$15 and \$135 (for the three and nine months ended June 30, 2023– \$125 and \$275) and the acquisition of HDM for \$3,300.

## Financing Activities

During the three and nine months ended September 30, 2024, net cash generated for financing activities totaled \$4,971 and \$6,622 (for three and nine months ended September 30, 2023 - \$77 and \$3,452) of which \$6,841 related to the receipt of additional funding.

## Debt and Financing Arrangements

On April 20, 2023, the Company entered into a senior loan and security agreement with Avonlea Ventures #2 Inc. (“AV”) to establish a credit facility, of which \$7,967 has been authorized and drawn upon as of September 30, 2024. The Company used the funds from AV loan to repay other debt instruments. This improved capital structure will aid the Company in continuing to efficiently execute on its strategic initiatives. Subsequent to the period ended September 30, 2024, but prior to the release of these condensed consolidated interim financial statements, the Company completed \$1,000 financing transactions with Avonlea, see Subsequent Event note below for additional details.

<b>Short Term Debt</b>	<b>Interest Rate</b>	<b>Principle Balance 09/30/2024</b>	<b>Interest Rate</b>	<b>Principle Balance 12/31/2023</b>
Avonlea Debt	12.00%	\$ 7,967	12.00%	\$ 3,050
Promissory Note to Cheryl Gundry	4.48%	\$ 1,100	0.00%	\$ -
Promissory Note to Curt Cvikota	5.00%	\$ 343	0.00%	\$ 339
Tech-Time Debts	10.25%	\$ -	7.50%	\$ 96
EIDL Loan	3.75%	\$ 41	3.75%	\$ 39
<b>Short Term Debt/ Weighted Average Interest Rate</b>	<b>10.84%</b>	<b>\$ 9,451</b>	<b>10.63%</b>	<b>\$ 3,524</b>
<b>Long Term Debt</b>	<b>Interest Rate</b>	<b>Principle Balance 09/30/2024</b>	<b>Interest Rate</b>	<b>Principle Balance 12/31/2023</b>
EIDL Loan	3.75%	\$ 1,947	3.75%	\$ 1,977
Promissory Note to Cheryl Gundry	4.48%	\$ 1,100	0.00%	\$ -
Health Cell	8.00%	\$ 250	8.00%	\$ 250
<b>Long Term Debt/ Weighted Average Interest Rate</b>	<b>4.32%</b>	<b>\$ 3,297</b>	<b>4.23%</b>	<b>\$ 2,227</b>
<b>Weighted Average Interest Rate Increase for 100bp</b>	<b>0.01%</b>		<b>0.03%</b>	

## Use of Proceeds

The Company raised debt and equity to complete its two acquisitions in 2023, one acquisition in 2024 and for general working capital purposes as noted above in financing activities. In 2023, the use of proceeds was for the acquisition of E&A and Kairos. In 2024, the use of proceeds was for the acquisition of HDM.

## Contractual Obligations and Commitments

The following table sets out the Company’s contractual obligations (representing undiscounted contractual cash flows) of financial liabilities and commitments:

	12 months	1 to 2 years	3 to 5 years	Thereafter	Total
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	2,009	-	-	-	2,009
Debts	9,530	1,525	355	2,744	14,154
Lease liabilities	78	70	-	-	148
	11,617	1,595	355	2,744	16,311

The Company has operating leases for its offices in Eau Claire Wisconsin, La Crosse Wisconsin, and Phoenix Arizona. The lease in Eau Claire ends on October 31, 2024. The lease in La Crosse ends on October 31, 2024. The lease in Phoenix ends on September 30, 2026. The Company obtained a four-month extension on the insurance policy until December 2024. To which, the Company will incur approximately \$14 per month until policy is renewed.

The debt obligations are several loans to various parties. The Company manages its working capital needs and has sourced financing as needed. The Company’s working capital can be impacted as noted in the Risks and uncertainties section by various factors. At this time the Company can generate sufficient cash from operating cash

flows through prudent management of costs, particularly payroll costs relative to customer billings which are tracked monthly on a customer-by-customer basis.

#### *Off Balance Sheet Arrangements*

As at September 30, 2024 and December 31, 2023, the Company did not have any off balance sheet arrangements to disclose.

#### **Subsequent Events**

##### **AccelVue Acquisition**

On October 7, 2024, the Company has closed its previously announced asset purchase agreement with HEAL, whereby the Company acquired the exclusive right to purchase certain contractual assets of Coredynamex, LLC, the Utah limited liability company (doing business as "AccelVue") pursuant to an executed term sheet (the "LOI") between HEAL and AccelVue.

Under the APA and in consideration for the assignment of the LOI, Kovo issued

- (i) 13,180,038 common shares of the Company at a deemed price of CDN\$0.05 (the "Consideration Shares"); and
- (ii) an unsecured 10% interest bearing 2-year term promissory note in the aggregate principal amount of USD\$56,947 for an aggregate purchase price of USD\$541,507 (the "Purchase Price").

The Purchase Price was negotiated between the parties and represents a reimbursement by Kovo of the reasonable and documented actual expenditures of HEAL in connection with negotiating the LOI, including its legal fees and expenses of USD\$80,758, accounting advisors and other financial expenses of USD\$34,807, and funds advanced to AccelVue during the exclusivity period to ensure the ability of AccelVue to satisfy its contractual and other obligations of USD\$425,942. The Consideration Shares represent 9.9% of the issued and outstanding shares of Kovo on a non-diluted basis. The Consideration Shares will be subject to a four-month and one-day hold period in accordance with applicable Canadian securities laws. Neither HEAL nor its sole shareholder Avonlea-Drewry Holdings Inc. ("ADH"), own or control, directly or indirectly, any equity securities of the Company.

In connection with the Transaction, Kovo received the exclusive right to acquire certain assets of AccelVue, including:

- (i) a business development contract with an Electronic Medical Record (EMR) SaaS company that aggregates 20,000 medical providers in the United States;
- (ii) an exclusive contract with a private Ai vendor to use its technology and services across the EMR healthcare industry sector; and
- (iii) an exclusive agreement with a bookkeeping platform as a service provider to service medical providers/practices aggregated through EMR company channels. The contracts and relationships will be coupled with Kovo's current practice offerings and leveraged to increase sales in new and existing channels.

After closing the Transaction, the Company proceeded with the acquisition of the assets of AccelVue provided for under the LOI. The purchase price for the transfer of the AccelVue assets pursuant to the LOI was USD\$50,000.

#### **Additional AVI debt financing**

On October 11, 2024, the Company received its tenth tranche of funding from AVI in the amount of \$1,000.

#### **Corporate Name Change**

On October 29, 2024, the Company filed articles in accordance with the Business Corporations Act (British Columbia), completed its legal name change to "Kovo+ Holdings Inc." (formerly Kovo HealthTech Corporation). Under the Name Change, the Company's common shares ("Common Shares") will continue trading on the TSX Venture Exchange under the symbol "KOVO" and the CUSIP number assigned to the Common Shares is 500742101

(ISIN: CA5007421012). No action is required by existing shareholders, nor will any certificates representing Common Shares need to be exchanged. The certificate of name change is available on the Company's SEDAR+.

## **Risks and Uncertainties**

### **Following Completion of the Listing, the Corporation may Issue Additional Equity Securities**

Following completion of the Listing, the Corporation may issue equity securities to finance its activities, including to finance acquisitions. If the Corporation were to issue Common Shares, existing holders of such shares may experience dilution in the Corporation. Moreover, if the Corporation's intention to issue additional equity securities becomes publicly known, the Corporation's share price may be materially adversely affected.

### **Limited Operating History**

While the Corporation's wholly owned subsidiary MedWorxs has a history of profitable operation, there can be no assurance given that future operating results will reflect historical results. The likelihood of success of the Corporation must be considered in light of the problems, expenses, difficulties, complication, and delays frequently encountered in connection with the establishment of any business. The Corporation will have limited financial resources and there is no assurance that additional funding will be available to it for further operations or to fulfill its obligations under applicable agreements. There is no assurance that the Corporation will be able to generate revenues, operate profitably, or provide a return on investment, or that it will successfully implement its plans. The Company also notes that unforeseen events can have a negative impact on cash balances.

### **Uncertainty of Additional Funding**

The Corporation may be dependent on third party financing, whether through debt, equity, or other means. There is no assurance that it will be successful in obtaining required financing in the future or that such financing will be available on terms acceptable to the Corporation. Changes in the Corporation's primary United States healthcare market, a claim against the Corporation, a significant event disrupting the Corporation's business, or other factors may make it difficult or impossible to obtain financing through debt, equity, or other means on favorable terms, or at all. In addition, any future financing may also be dilutive to existing shareholders of the Corporation.

### **Competitive Conditions**

The Corporation will actively compete for acquisition of RCM and other target businesses and will compete for new customers within acquired businesses. Many of the Corporation's competitors may have significantly greater financial resources than the Corporation. The Corporation's competitors may include major healthcare industry Corporations.

### **Reliance Upon Management**

The Corporation will be dependent upon the continued support and involvement of its principles and management. Should the Corporation lose the services of one or more of the principals or management, the ability of the Corporation to achieve its objectives could be adversely affected.

### **Employees**

Our success will depend on the combined skills and efforts of our management and employees. We currently have 125 US based employees, of which we have entered into executive employment contracts with Brenner Adams (Interim CEO), Justin Anderson (Chief Restructuring Officer) and Mark Detz (Interim Chief Financial Officer).

There can be no assurance that we will be able to recruit and retain the employees we will need in order to successfully execute our business plan. If we are unable to recruit and retain appropriate personnel, our ability to successfully execute our business plan will be severely constrained. In addition, the loss of any key employees, including any of the members of our management team, could have a material adverse effect on our business, financial condition and operating results. There can be no assurance that any persons who may be employed by us will remain with us.

### **Third Party Suppliers**

The Company is significantly reliant on third-party partners, including its IT and EMR vendors, as well as medical supply providers, to deliver essential goods and services integral to its operations. Any inability or unwillingness by these third parties to fulfill their obligations, whether due to operational challenges, inflationary pressures, or other factors, could compel the Company to source alternative providers, assuming such options are available. This

transition may result in elevated costs or substantial disruptions to business continuity until replacements are secured. Furthermore, in the event of a data breach or failure by a third-party supplier to adhere to contractual obligations, resulting in financial losses or damages, the Company could face adverse consequences if recovery of such losses from the supplier proves unachievable.

### **Risks of Software, Database, or Network Failures**

The Company depends heavily on software systems, databases, and networks to process, transmit, and securely store digital information. Its operations also rely on the seamless integration of technological solutions provided by various vendors and internal business units to deliver its digital products and services effectively. A software malfunction, defect, or failure could compromise the functionality of these systems, disrupting operations and potentially preventing customers from accessing the Company's products or services for an undetermined period. Such disruptions could have significant operational and reputational consequences.

### **Conflicts of Interest**

Members of the Board of the Corporation may become directors of other reporting companies or have significant shareholdings in other healthcare industry companies and, to the extent that such other companies may participate in ventures in which the Corporation may participate, the Board may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. The Corporation and its Board will attempt to minimize such conflicts. In the event that such a conflict of interest arises at a meeting of the Board, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In appropriate cases the Corporation will establish a special committee of independent directors to review a matter in which several directors, or management, may have a conflict. Conflicts, if any, will be subject to the procedures and remedies as provided under the British Columbia Business Corporations Act ("BCBCA"). The provisions of the BCBCA require a director or officer of a Corporation who has a material interest in a contract or Listing of the Corporation, or a director or officer of a Corporation who is a director or officer of or has a material interest in a person who has a material interest in a contract or Listing with the Corporation, to disclose his or her interest and, in the case of directors, to refrain from voting on any matter in respect of such contract unless permitted under the BCBCA, as the case may be. Other than as indicated, the Corporation has no other procedures or mechanisms to deal with conflicts of interest.

### **Artificial Intelligence ("AI") Technology**

The Company develops, markets, and deploys products and services that integrate large language model technologies (collectively, "AI") to enhance and facilitate healthcare delivery. While some laws, regulations, and guidelines have been introduced regarding the use of AI in healthcare—particularly concerning individual privacy—comprehensive legislation, standards, case law, and regulatory frameworks remain underdeveloped across many jurisdictions due to the technology's relative novelty. To address this uncertainty, the Company has implemented a risk-based approach to the deployment of AI technologies throughout its operations. However, shifts in case law or regulatory interpretations may render the Company's current understanding of compliance insufficient, potentially exposing it to fines or penalties. Additionally, evolving public attitudes toward AI in healthcare could necessitate adjustments to the Company's products and services to align with new expectations or requirements.

### **Cybersecurity**

The Company relies extensively on digital and internet technologies to conduct and expand its operations, including the use of information technology systems to process, transmit, and store sensitive and confidential data. This includes protected health information (PHI), personally identifiable information (PII), and proprietary business data. Consequently, the Company and its customers face significant cybersecurity risks, such as unauthorized access, use, or disclosure of sensitive information (including confidential patient records), data corruption or destruction, and operational disruptions resulting from system impairments like malware or ransomware attacks.

Third parties, including outsourced service providers, their subcontractors, and entities interfacing with the Company's systems, are also vulnerable to these risks and may lack adequate controls to safeguard sensitive information and business systems. A cybersecurity breach involving a third-party provider could severely impact the Company, even if the attacked service is beyond its direct control. For example, the February 2024 ransomware attack on Change Healthcare, a unit of UnitedHealth Group, disrupted the Company's receivables collections, as its primary revenue cycle management vendor depended on Change Healthcare as a clearinghouse.

The Company's operational resilience depends on the robust protection of its networks, equipment, and IT systems from various threats, including hardware damage, computer viruses, hacking, and theft. Additionally, the Company relies on timely maintenance, upgrades, and replacements of its IT infrastructure, as well as proactive investments to mitigate the risks of potential failures.

A cybersecurity compromise involving the Company's IT systems or the confidential information of its patients and partners could have far-reaching consequences, including disruptions to patient transactions, reputational damage undermining patient and investor confidence, liability under privacy and consumer protection laws, regulatory penalties, increased regulatory scrutiny, and adverse impacts on its business, financial performance, and cash flows.

Given the Company's access to highly sensitive data—including personal and health-related information—there is a persistent risk of material security breaches, theft, data loss, programming errors, employee malfeasance (such as misappropriation by departing employees), and unauthorized access or misuse of its systems. The evolving nature of cybersecurity threats continues to heighten the Company's exposure, emphasizing the importance of robust, adaptive safeguards.

### **Risks Associated with Acquisitions and Business Integration**

The Company's strategy to pursue mergers and acquisitions (M&A) entails inherent risks that may impact its operational performance and financial results. Successfully integrating acquired businesses requires addressing complexities across multiple dimensions, including human resources, organizational culture alignment, product pricing strategies, information technology infrastructure, data integrity, information systems integration, operational workflows, and financial management. Failure to effectively manage these factors could hinder the realization of anticipated synergies and value creation.

### **Potential Impairment of Intangible Assets**

The Company's intangible assets are subject to periodic impairment assessments in accordance with current accounting standards. These assessments evaluate the carrying value of intangible assets to determine whether any impairment has occurred due to changing circumstances following an acquisition. If an impairment loss is recognized, it could significantly and adversely affect the Company's business operations, financial condition, cash flows, results of operations, and the market value of its common shares.

### **Permits and Licenses**

The operations of the Corporation will require licenses and permits from various governmental and nongovernmental authorities. The Corporation will obtain all necessary licenses and permits required to carry on with activities which it proposes to conduct under applicable laws and regulations. However, such licenses and permits are subject to changes in regulations and in various operating circumstances. There can be no assurance that the Corporation will be able to obtain all necessary licenses and permits required to carry out its business.

### **Political Regulatory Risks**

Any changes in government policy may result in changes to laws affecting the healthcare industry, RCM, PM or EHR technology, monetary policies, taxation, rates of exchange, environmental regulations, labour relations, and return of capital. This may affect both the Corporation's ability to undertake its business. The possibility that future governments may adopt substantially different policies, which might extend to expropriation of technology utilized in the Corporation's business, would have a material adverse impact on the Corporation's financial performance.

### **Registration with the SEC**

We believe since completion of the listing on the Toronto Venture Stock Exchange we qualify as a Foreign Private Issuer. If, however, as of the last business day of our second fiscal quarter for any year, more than 50% of our outstanding voting securities (as defined in the U.S. Securities Act) are directly or indirectly held of record by residents of the United States and we do not qualify for certain other exemptions related to the location of assets and management of the business, we will no longer meet the definition of a Foreign Private Issuer under the rules of the SEC. Losing Foreign Private Issuer status would require us to file annual, quarterly and current reports and make other filings under the 1934 Act and the U.S. Securities Act in accordance with SEC requirements at the beginning of the fiscal year following the loss of Foreign Private Issuer status. If we fail to qualify for Foreign Private Issuer status, we will remain unqualified unless we meet the test as of the last business day of our second fiscal quarter in the applicable fiscal year. This change in status could have a significant effect on us as it would significantly complicate the raising

of capital through the offer and sales of securities and reporting requirements, resulting in increased audit, legal and administration costs, which could significantly affect our profitability.

### **Volatility of Share Price**

In recent years, the securities markets in the United States and Canada, and the Exchange in particular, have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price that have not necessarily been related to the operating performance, underlying asset values, or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. It may be anticipated that any quoted market for the Corporation's shares will be subject to market trends and conditions generally, notwithstanding any potential success of the Corporation in creating revenues, cash flows, or earnings.

### **Liquidity**

The Corporation cannot predict at what prices Common Shares will trade upon completion of the Listing, and there can be no assurance that an active trading market in Common Shares will develop or be sustained. Acceptance of the Exchange has not yet been obtained. There is a significant liquidity risk associated with an investment in Common Shares.

### **Dividends**

At the present time, it is unlikely the Corporation's shareholders will receive a dividend on Common Shares.

### **Intellectual Property Risk**

The Corporation owns its Intellectual Property ("IP"). There remains a risk that our IP could be in conflict with another IP owned by a third party. We have acquired some of our IP from third parties, and that ownership of IP could be challenged in the future if it is very similar to another third party's IP. In addition, other companies could file for patents that would limit our business strategy for expanding our software revenues.

### **Related Party**

Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is a related party transaction when there is a transfer of resources or obligations between related parties.

For the three and nine months ended September 30, 2024, key management personnel compensation comprising of salaries and equity totaled \$158 and \$559 (three and nine months ended September 30, 2023 - \$240 and \$853).

Other related party transaction include a non-interest bearing secured promissory note receivable disclosed in Note 4(a) and the AVI debt disclosed in Note 8 of the Unaudited Condensed Consolidated Interim Financial Statement.

The AVI debt may be considered to have been funded by a related party. The issuer of the AVI facility is a material shareholder and director on the Board.

Transactions conducted with related parties took place in the normal course of operations and are measured at the amount of consideration established and agreed to by the related parties.

Balances and transactions between the Company and its ultimate subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

### **Disclosure Controls and Procedures ("DCP")**

The Company is committed to providing timely, accurate and balanced disclosure of all material information about the Company and to providing fair and equal access to such information. Management is responsible for establishing and maintaining its DCP to ensure that information used internally and disclosed externally is complete and reliable. Due to the inherent limitations in all control systems, an evaluation of controls can provide only reasonable, not absolute assurance, that all control issues and instances of fraud or error, if any, within the Company have been detected. Management continues to evolve and enhance its system of controls and procedures.

**Internal control over financial reporting (ICFR)**

The Company's management is responsible for establishing and maintaining adequate Internal Control Over Financial Reporting (ICFR). The Company has designed ICFR to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS.

All control systems, no matter how well designed, have inherent limitations, including the possibility of human error and the circumvention or overriding of the controls or procedures. As a result, there is no certainty that its DCP or ICFR will prevent all errors or all fraud.

During the quarter ended September 30, 2024, there were no significant changes in the Company's internal control over financial reporting that materially affected or is reasonably likely to materially affect the Company's internal controls over financial reporting.