



**UNAUDITED CONDENSED  
CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF  
KOVO+ HOLDINGS INC.  
(FORMERLY KOVO HEALTHTECH CORPORATION)**

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

**Notice of No Auditor Review of Interim Financial Statements**

The unaudited condensed consolidated interim financial statements and the accompanying note disclosures of Kovo+ Holdings Inc. for the three and nine months ended September 30, 2024 have been prepared by management, reviewed by the Audit Committee and approved by the Board of Directors of the Company.

In accordance with National Instrument 51-102, Continuous Disclosure Obligations of the Canadian Securities Administrators, the Company herewith discloses that the accompanying unaudited condensed consolidated interim financial statements have not been reviewed by an auditor in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

KOVO+ HOLDINGS INC.  
(FORMERLY KOVO HEALTHTECH CORPORATION)  
UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
(All amounts expressed in thousands of US dollars, except share or per share amounts)

**Consolidated Statements of Financial Position**

		September 30, 2024	December 31, 2023
	Note	\$	\$
<b>Assets</b>			
<b>Current</b>			
Cash		181	102
Accounts receivable	4	175	252
Other receivables and prepaid expenses	4	318	98
Current portion of promissory note receivable	4	215	218
		<b>889</b>	<b>670</b>
<b>Non-current</b>			
Right-of-use assets	6	120	250
Property and equipment		15	32
Intangible assets	7	5,919	4,338
Goodwill	7	5,287	3,967
<b>Total assets</b>		<b>12,230</b>	<b>9,257</b>
<b>Liabilities and shareholders' deficiency</b>			
<b>Current</b>			
Accounts payable and accrued liabilities		2,009	3,172
Short term debts	8	9,451	3,524
Current portion of lease liabilities	9	66	151
		<b>11,526</b>	<b>6,847</b>
<b>Non-current</b>			
Long term debts	8	3,297	2,227
Deferred tax liability		374	374
Lease liabilities	9	66	108
<b>Total liabilities</b>		<b>15,263</b>	<b>9,556</b>
<b>Shareholders' deficiency</b>			
Share capital	10	10,445	8,787
Contributed surplus	10	1,893	1,857
Deficiency		(15,371)	(10,943)
<b>Total shareholders' deficiency</b>		<b>(3,033)</b>	<b>(299)</b>
<b>Total liabilities and shareholders' deficiency</b>		<b>12,230</b>	<b>9,257</b>

*Nature of operations and going concern (Note 1)*

*Contingencies (Note 14)*

*Subsequent events (Note 15)*

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

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**Consolidated Statements of Loss and Comprehensive Loss**

	Note	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		2,112	2,399	6,875	6,344
Inpatient systems		117	117	347	353
Software revenue		38	56	136	154
Credentialing Services		34	65	107	157
Ambulatory software		38	44	118	135
Hourly Services		43	51	140	150
<b>Total revenue</b>		<b>2,382</b>	<b>2,732</b>	<b>7,723</b>	<b>7,293</b>
<b>Operating expenses</b>					
Salaries and benefits		2,041	2,358	6,490	6,277
General and administrative	11	1,237	803	2,568	2,154
Share-based compensation	10	1	21	36	245
Depreciation and amortization	4,6,7	239	204	685	546
<b>Total operating expenses</b>		<b>3,518</b>	<b>3,386</b>	<b>9,779</b>	<b>9,222</b>
<b>Net operating loss</b>		<b>(1,136)</b>	<b>(654)</b>	<b>(2,056)</b>	<b>(1,929)</b>
<b>Other income (expense)</b>					
Interest expense	8	(536)	(144)	(1,640)	(455)
Other expense		(200)	3	(200)	(426)
Financing charges	8	321	(2)	(589)	1
Acquisition-related expenses		-	-	-	(191)
Other income	8	57	-	57	31
<b>Net other expense</b>		<b>(358)</b>	<b>(143)</b>	<b>(2,372)</b>	<b>(1,040)</b>
<b>Net loss and comprehensive loss</b>		<b>(1,494)</b>	<b>(797)</b>	<b>(4,428)</b>	<b>(2,969)</b>
<b>Basic and diluted loss per share</b>	12	\$ <b>(0.01)</b>	\$ <b>(0.01)</b>	\$ <b>(0.06)</b>	\$ <b>(0.06)</b>
<b>Weighted average number of common shares outstanding basic and diluted</b>	12	<b>108,419,803</b>	<b>57,543,906</b>	<b>74,626,324</b>	<b>50,516,800</b>

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**Consolidated Statements of Changes in Shareholders' Equity (Deficiency)**

	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>

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(All amounts expressed in thousands of US dollars, except share or per share amounts)

**Consolidated Statements of Cash Flows**

	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>

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## **1. NATURE OF OPERATIONS AND GOING CONCERN**

Kovo+ Holdings Inc. (Formerly Kovo HealthTech Corporation) (“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 sells services and software to medical clinics and medical facilities. There are six revenue streams generated through a combination of internal software development and acquisition of existing businesses and assets. The key business lines include:

- Recurring Revenue from Revenue Cycle Management Services (“RCM” revenue)
- Recurring licensing revenue from Inpatient systems
- Recurring SaaS revenue for Ambulatory software and eHealth software
- Recurring revenue from Credentialing Services
- Recurring revenue from Hourly Services
- Recurring revenue from associated services for our products (such as, electronic claim process, eligibility for reimbursement verifications, and electronic remittance advice)

Kovo is primarily engaged in delivering software solutions and services including Revenue Cycle Management (“RCM”) and Electronic Health Records to medical practices and hospitals. The Company acquires customers primarily through acquisition of existing RCM and other software businesses in the United States. The Company’s shares trade on the TSX-V under the symbol “KOVO.”

### **Going Concern**

These unaudited condensed consolidated interim financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities in the normal course of operations. These unaudited condensed consolidated interim financial statements do not reflect the adjustments to carrying values of assets and liabilities that would be necessary should the going concern assumption prove to be inappropriate, and these adjustments could be material.

During the three and nine months ended September 30, 2024, the Company incurred a loss from operations of \$1,136 and \$2,056 (September 30, 2023 – loss of \$654 and \$1,929), and a net loss of \$1,494 and \$4,428 (September 30, 2023 - net loss of \$797 and \$2,969) and cash used in operating activities of \$1,554 and \$3,103 (September 30, 2023 - \$32 and \$709). 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). These factors create a material uncertainty that cast significant doubt regarding the Company’s ability to continue as a going concern. Management may finance its future development activities and operations from the sale of equity and/or debt securities. There is no assurance that the Company will be able to generate positive cash flows from operations or obtain additional financing on terms acceptable to the Company. Subsequent to the period ended September 30, 2024, but prior to the release of these unaudited condensed consolidated interim financial statements, the Company completed certain financing transactions, see Subsequent Event (*Note 15*). The Company’s ability to continue as a going concern is dependent upon the Company’s ability to raise sufficient financing or generate sufficient future cash flows from profitable business activities. There can be no assurance that the steps management is taking will be successful.

## **2. BASIS OF PRESENTATION, MEASUREMENT AND CONSOLIDATION**

### **(a) Statement of Compliance**

These unaudited condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including International Account Standard (“IAS”) 34, Interim Financial Reporting and do not include all information required for full annual consolidated financial statements.

These unaudited condensed consolidated interim financial statements should be read in conjunction with the audited December 31, 2023 annual consolidated financial statements, which have been prepared in accordance with IFRS as issued by the IASB. The preparation of these unaudited condensed consolidated interim financial statements is based on accounting principles and practices consistent with those used in the preparation of the audited December 31, 2023 annual consolidated financial statements.

These unaudited condensed consolidated interim financial statements were approved by the board of directors of the Company for issue on November 27, 2024.

### **(b) Basis of Measurement**

The unaudited condensed consolidated interim financial statements have been prepared on the historical cost basis, with the exception of financial instruments which are measured at fair value, as explained in the accounting policies set out below.

### **(c) Basis of Consolidation**

The unaudited condensed consolidated interim financial statements include: the accounts of Kovo+ Holdings Inc. (Canadian Corporation, Formerly Kovo HealthTech Corporation); Kovo+ Holdings Inc. (Canadian Corporation) wholly owned subsidiary, Kovo+ USA Inc. (US Corporation formerly known as MedWorxs Inc); Kovo+ USA Inc. (US Corporation) wholly owned subsidiaries, Nexus AI Data Inc. (US Corporation), Kovo Acquisitions LLC (US Corporation), RPM Billing LLC (US Corporation) NOC5280 LLC (US Corporation) and Kovo Human Capital LLC (US Corporation). Kovo Acquisitions LLC’s operating businesses in the US including Midwest Medical Billing Services (US Corporation), The Cvikota Company, Inc. (US Corporation), E&A Medical Billing (“E&A”) (US Corporation), Kairos Billing Solutions (US Corporation), and Healthcare Data Management Inc. (US Corporation); Nexus AI Data Inc. (US Corporation), Inc. wholly owned subsidiaries, HEAL Global Holdings, Inc. (US Corporation) and AI Vector 2.0, Inc. (US Corporation); HEAL Global Holdings, Inc. wholly owned subsidiary HEAL Vue, Inc. (US Corporation); Control is achieved when the Company has the power to govern the financial and operating policies of an entity to obtain benefits from its activities, are exposed to, or have rights to, variable returns from involvement with the entity and have the ability to affect those returns through power over the entity. The subsidiaries are fully consolidated from the date on which control is transferred to the Company until the date on which control ceases. Net loss and comprehensive loss of subsidiaries acquired during the period are recognized from the date of acquisition or effective date of disposal, as applicable. Significant intercompany balances and transactions are eliminated on consolidation.

## **2. BASIS OF PRESENTATION, MEASUREMENT AND CONSOLIDATION (continued)**

### **(d) Segments**

The unaudited condensed consolidated interim financial statements include one operating segment for the overall business. The operating results are regularly reviewed by the chief operating decision makers, the Chief Executive Officer and the Chief Financial Officer, to determine decisions about resources and how they will be allocated to determine performance. Currently, management does not make decisions by revenue stream, but rather as an organization as a whole on a consolidated basis. Therefore, the condensed consolidated interim financial statements are presented as one operating segment.

### **(e) Functional and Presentation Currency**

These unaudited condensed consolidated interim financial statements are presented in US dollars (“USD”), which is also the functional currency of all subsidiaries.

The functional currency of the Company is determined to be the US dollar by management based on consideration of the currency and economic factors that primarily influence the Company’s revenues and the costs of its business operation while the functional currency of the holding company is determined to be Canadian dollars.

Foreign currency transactions are recorded at the exchange rate as at the date of the transaction. At each statement of financial position date, any foreign currency denominated monetary assets and liabilities are translated using the period end foreign exchange rate. Non-monetary assets and liabilities in foreign currencies are translated using the historical rate. Gains and losses on transactions are included in the consolidated statements of loss and comprehensive loss.

### **(f) Use of Estimates and Judgements**

In preparing the Company’s unaudited condensed consolidated interim financial statements, management is required to make estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, impairments of intangible assets, valuation of stock options and warrants, the fair value measurement of non-interest-bearing debt, the useful life of capitalized software costs, the disclosure of contingent liabilities at the date of the unaudited condensed consolidated interim financial statements and the reported amounts of revenue and expenses during the reporting periods. These estimates and judgments are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. The estimation of anticipated future events involve uncertainty and, consequently, the estimates used in preparation of the unaudited condensed consolidated interim financial statements may change as future events unfold, more experience is acquired or the Company’s operating environment changes. Actual results may differ from these estimates under different assumptions or conditions. In preparing the unaudited condensed consolidated interim financial statements, the significant estimates made by management include those that applied to and are disclosed in the Company’s audited consolidated financial statements for the year ended December 31, 2023.

## **3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies applied by the Company in these unaudited condensed interim condensed consolidated interim financial statements are the same as those applied in the Company’s annual audited financial statements for the year ended December 31, 2023. As of the date of authorization of these unaudited condensed consolidated interim financial statements, 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 condensed consolidated interim financial statements.

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**4. CAPITAL MANAGEMENT, FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

**Capital management**

The Company's objectives when managing its capital are:

- To maintain a flexible capital structure that optimizes the cost of capital at acceptable risk while providing an appropriate return to its shareholders;
- To maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business;
- To safeguard the Company's ability to obtain financing should the need arise; and
- To maintain financial flexibility in order to have access to capital in the event of future capital acquisitions.

The Company is exposed to various financial risks and continuously assesses the impact and likelihood of this exposure. These risks include credit risk, liquidity risk, market risk including currency risk and interest rate risk. Where material, these risks are reviewed and monitored by the Board of Directors.

The Company manages its capital structure and makes adjustments to it in accordance with the objectives stated above, and in response to changes in economic conditions and the risk characteristics of the underlying assets. The Company considers its capital to consist of total equity. The Company is not subject to externally imposed capital requirements.

**Financial Risks**

**a) Credit risk**

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash, accounts receivable and a promissory note receivable. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. The carrying amount of financial assets represents the maximum credit exposure.

There is no concentration risk for accounts receivables as no one customer represents greater than 10% of the Company's total sales. The Company evaluates credit losses on a regular basis based on the aging and collectability of its receivables. As at September 30, 2024, the Company had a provision for expected credit loss of \$96 (December 31, 2023 - \$76).

On November 1, 2022, the Company entered into a two-year IP licensing agreement of which \$9 is included in accounts receivable (December 31, 2023 - \$35) and \$nil in long term accounts receivable (December 31, 2023 - \$nil).

On November 8, 2021, the Company amended the terms of a non-interest bearing secured promissory note receivable with the Companies Executive Chairman which was originally issued January 21, 2021, extending the due date from February 5, 2022 to February 15, 2024. The agreement contains fixed monthly payments for 24 periods effective November 15, 2021. The note is being serviced month-to-month at this time until a long-term solution is resolved. Given that the loan is interest free and long term, the Company discounted the promissory note receivable at a market interest rate of 9% resulting in a financing expense of \$40 to be accreted over the term of the loan. As of September 30, 2024, \$215 (December 31, 2023 - \$218) was included in current portion of promissory note receivable and \$nil (December 31, 2023 - \$nil) in non-current portion promissory note receivable and nil (September 30, 2023 - \$14) being included in interest income.

The following table provides information regarding the aged trading receivables:

	Current	31-60 days	61-90 days	91+ days
September 30, 2024	44%	9%	1%	46%

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FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2024 AND 2023****(All amounts expressed in thousands of US dollars, except number of shares or per share amounts)****4. CAPITAL MANAGEMENT, FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)****b) Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due and remain solvent. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis.

To date, the Company has generated operating losses and net cash outflows from operations (Note 1) and has relied on equity and debt financing to fund its operations and acquisitions and will need to continue to secure additional funding for operations. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that financing will be on terms advantageous to the Company.

The following table sets out the Company's contractual maturities (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

**c) Interest risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has one debt instrument subject to variable interest rates (Note 8). If the interest rates were to increase substantially that would have a negative impact on the Company cash reserves and debt instruments. If the interest rates were to fluctuate by 1%, based on a weighted average cost of interest, the impact on interest expense incurred by the Company for the three and nine months ended September 30, 2024 would be \$1 and \$2 (three and nine months ended September 30, 2023 - nil and nil). The Company monitors the American prime interest rate carefully and ensures any significant increases would be mitigated through sufficient cash on hand, raising additional capital or renegotiating terms with the debt underwriter.

**d) Currency risk**

Currency risk is the risk that the fair value or future cash flows of the Company's financial instrument that are denominated in a currency that is not the Company's functional currency will fluctuate due to the change in foreign exchange rate. The Company is exposed to the currency exchange rate risk on the following balances held in Canadian dollars:

	September 30, 2024
	\$
Cash	2
Notes and other receivables	91
Accounts payable and accrued liabilities	228

The Company does not use derivative financial instruments to mitigate its exposure to currency risk. Management, however, mitigates currency risk by regular monitoring, transacting in stable currencies, matching the foreign currency receivables and payables and minimizing the net exposure in any foreign currency at any point of time. A 100 basis points change in the value of the Canadian currency will result in the increase/decrease in the Company's net loss of \$3 (September 30, 2023 – net loss of \$1).

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**5. ACQUISITIONS**

*Acquisitions completed during the nine-month period ending September 30, 2024*

**Acquisition of Healthcare Data Management Inc. Assets**

On August 31, 2024, the Company completed the acquisition of net assets of Healthcare Data Management Inc. (“HDM” or the “Seller”). Under the terms of the acquisition, Kovo paid to the Seller a consideration of USD \$3,300, which consists of \$1,100 in cash, and a secured two-year promissory note for \$2,200, maturing on August 31, 2026, with a variable interest rate which is the short term Applicable Federal Rate (AFR) published by the United States Department of the Treasury, Internal Revenue Service. The principal of the note must be paid in four equal installments on a semi-annual basis to which interest is payable monthly.

In accordance with the measurement period permitted under IFRS 3 - Business Combinations, the fair value of the assets acquired, and liabilities assumed have been determined on a provisional basis on the assumptions noted. The Company has determined the fair values of assets and liabilities acquired and identified any other intangible assets that exist at the date of acquisition. As a result, the enterprise value was determined to be \$3,300 on the date of acquisition. Goodwill is attributable to the customer list, expected synergies, and other intangible assets that the Company has identified.

	<b>Total</b>
Cash Consideration	1,100
Promissory note	2,200
<b>Enterprise value</b>	<b>\$ 3,300</b>

<b>Allocation of purchase price</b>	<b>Total</b>
Customer Relationships	1,980
Goodwill	1,320
<b>Total allocation of purchase price</b>	<b>\$ 3,300</b>

HDM’s results are consolidated in the Company’s financial results effective August 31, 2024. For the three and nine months ended September 30, 2024, HDM incurred a loss of \$162 to the Company’s consolidated operating loss and to the total comprehensive income. As part of the asset purchase agreement, the Company has obtained the rights to HDM’s revenues beginning September 1, 2024 which is recognized at the beginning of the following month, consistent with the Company’s revenue recognition policy. As a result, HDM has recorded revenues of nil for the period ending September 30, 2024.

	For the three-month period ended September 30, 2024	For the nine-month period ended September 30, 2024
	\$	\$
Revenue	-	-
Total comprehensive loss for the period	(162)	(162)

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**5. ACQUISITIONS** (Continued)

The following table provides summarized financial information for HDM operations from January 1, 2024 to September 30, 2024:

	For the nine months ended September 30, 2024 \$
Revenue	1,932
Total comprehensive income for the period	765

*Acquisitions completed during the nine-month period ending September 30, 2023*

**Acquisition of E&A Medical Billing**

On April 20, 2023, Kovo completed the acquisition of E&A Medical Billing (“E&A”). Under the terms of the acquisition, Kovo paid to the Seller cash consideration of USD \$2,700.

In accordance with the measurement period permitted under IFRS 3 - Business Combinations, the fair value of the assets acquired, and liabilities assumed have been determined on a provisional basis on the assumptions noted. The Company has determined the fair values of assets and liabilities acquired and identifying any other intangible assets that exist at the date of acquisition. As a result, the enterprise value was determined to be \$2,922 on the date of acquisition. Goodwill is attributable to the customer list, expected synergies, and other intangible assets that the Company has identified.

	<b>Total</b>
Cash Consideration	2,700
<b>Enterprise value</b>	<b>\$ 2,700</b>
<b>Allocation of purchase price</b>	<b>Total</b>
Customer relationships	1,270
Tradename	310
Goodwill	1,531
Right of use asset	190
Lease liabilities	(190)
Deferred tax liability	(411)
<b>Total allocation of purchase price</b>	<b>\$ 2,700</b>

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**5. ACQUISITIONS (Continued)**

E&A’s results are consolidated in the Company’s financial results effective April 20, 2023. For the three and nine months ended September 30, 2023, E&A contributed \$242 and \$292 to the Company’s consolidated operating income and to the total comprehensive income.

	For the three-month period ended September 30, 2023	For the nine-month period ended September 30, 2023
	\$	\$
Revenue	772	1,500
Total comprehensive income for the period	248	478

The following table provides summarized financial information for E&A’s operations from January 1, 2023 to September 30, 2023:

	For the period ended September 30, 2023
	\$
Revenue	2,191
Total comprehensive income for the period	662

The accounting is not yet complete, and the amounts assigned to assets acquired and liabilities assumed are provisional. Therefore, this may result in future adjustments to the provisional amounts as information is obtained about facts and circumstances that existed at the acquisition date.

**Acquisition of Kairos Billing Solutions**

On June 6, 2023, Kovo completed the acquisition of net assets of Kairos Billing Solutions (“Kairos”). Under the terms of the acquisition, Kovo paid to Kairos cash consideration of USD\$150,000.

In accordance with the measurement period permitted under IFRS 3 - Business Combinations, the fair value of the assets acquired, and liabilities assumed have been determined on a provisional basis on the assumptions noted. The Company has determined the fair values of assets and liabilities acquired and identifying any other intangible assets that exist at the date of acquisition. As a result, the enterprise value was determined to be \$150 on the date of acquisition. Goodwill is attributable to the customer list, expected synergies, and other intangible assets that the Company has identified.

	<b>Total</b>
Cash Consideration	150
<b>Enterprise value</b>	<b>\$ 150</b>

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**5. ACQUISITIONS (Continued)**

<b>Allocation of purchase price</b>	<b>Total</b>
Customer Relationships	85
Goodwill	65
<b>Total allocation of purchase price</b>	<b>\$ 150</b>

Kairos's results are consolidated in the Company's financial results effective June 6, 2023. For the three and nine months ended September 30, 2023, Kairos contributed \$10 to the Company's consolidated operating income and to the total comprehensive income.

	For the three-month period ended September 30, 2023	For the nine-month period ended September 30, 2023
	\$	\$
Revenue	154	209
Total comprehensive loss for the period	(10)	(5)

The following table provides summarized financial information for Kairos operations from January 1, 2023 to September 30, 2023:

	For the period ended September 30, 2023
	\$
Revenue	455
Total comprehensive income for the period	(3)

The accounting is not yet complete, and the amounts assigned to assets acquired and liabilities assumed are provisional. Therefore, this may result in future adjustments to the provisional amounts as information is obtained about facts and circumstances that existed at the acquisition date.

**6. RIGHT-OF-USE ASSETS**

<b>Cost</b>	<b>ROU Assets</b>	
Balances as at Dec 31, 2023	\$	765
Additions		-
Balances as at September 30, 2024	\$	765
<b>Accumulated Depreciation</b>		
Balances as at Dec 31, 2023	\$	(515)
Amortization	\$	(130)
Balances as at September 30, 2024	\$	(645)
<b>Net Book Values as at December 31, 2023</b>	<b>\$</b>	<b>250</b>
<b>Net Book Values as at September 30, 2024</b>	<b>\$</b>	<b>120</b>

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**6. RIGHT-OF-USE ASSETS (continued)**

The right-of-use assets represent office leases, all of which are utilized by the Company as at the reporting period ending September 31, 2024 (Note 9).

The Company acquired E&A, effective on April 20, 2023. As part of the acquisition the Company obtained a right-of-use asset and obligation connected with an office lease in Phoenix, Arizona.

For the three and nine months ended September 30, 2024, the Company notes that it also recorded depreciation in the amount of \$6 and \$21 (September 30, 2023: \$13 and \$40) related to computer equipment and company websites.

**7. INTANGIBLE ASSETS**

	<b>Intangible Assets</b>				
	<b>Intellectual</b>	<b>Customer Lists</b>	<b>Trademark</b>	<b>Software</b>	<b>Total</b>
	<b>Property</b>				
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Cost</b>					
Balances as at December 31, 2023	458	4,186	310	1,347	6,301
Additions	-	1,980	-	135	2,115
Balances as at September 30, 2024	458	6,166	310	1,482	8,416
<b>Accumulated Amortization</b>					
Balances as at December 31, 2023	(458)	(618)	(47)	(840)	(1,963)
Amortization	-	(273)	(46)	(215)	(534)
Balances as at September 30, 2024	(458)	(891)	(93)	(1,055)	(2,497)
<b>Net carrying amount as at December 31, 2023</b>	<b>-</b>	<b>3,568</b>	<b>263</b>	<b>507</b>	<b>4,338</b>
<b>Net carrying amount as at September 30, 2024</b>	<b>-</b>	<b>5,275</b>	<b>217</b>	<b>427</b>	<b>5,919</b>

Software expenditures are capitalized as part of the Company's review of IAS 38 guidelines. The Company capitalizes 50% of its software development salaries and amortizes them over a 36-month period. The Company completes an impairment analysis to ensure the carrying value is supported by the revenue generated from the software licenses. Other intangible assets include customer relationships acquired as part of the following acquisitions namely RPM, Midwest, Cvikota, E&A Medical Billing, Kairos, and HDM. Customer relationships are recorded at the fair value as at the time of the acquisition and amortized over ten to fifteen years on a prorated basis.

On October 7, 2024, the Company acquired the rights to purchase the AccelVue assets. The AccelVue assets are classified as Licenses consistent with the Company policy. See Subsequent Event (Note 15) note for additional information.

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**8. DEBTS**

**Principal balances as at September 30, 2024**

<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>	

**Short Term Debt**

*Avonlea Debt*

During 2023, the Company received \$3,050 in three tranches under a senior loan and security agreement with Avonlea Ventures #2 Inc. ("AVI"), bearing interest at a rate of 12% per annum accrued monthly. The Company can obtain funds up to \$7,000 and has a maturity date of April 30, 2024.

On February 27, 2024, the Company entered into a forbearance agreement with AVI. (the "Lender"), in connection with the senior loan and security agreement (the "Agreement") entered on April 20, 2023. On February 29, 2024 pursuant to the forbearance agreement, the Lender advanced an additional \$1,250 under the Agreement and agreed to forbear any enforcement steps as a consequence of any breach or default under the Agreement until June 30, 2024, subject to the condition that management delivers a 2024 operating plan acceptable to the Lender, with a forbearance fee equal to \$860. On May 3, 2024, the Lender advanced an additional \$500 under the forbearance agreement, with a fee equal to \$50.

On July 24, 2024, the TSX-V has approved the Corporation's previously announced debt conversion transaction (the "Debt Conversion Transaction") and the Corporation settled outstanding debt in the aggregate amount \$1,658 (CDN \$2,257) owing to its largest secured creditor, AVI by issuing 57,543,906 common shares in the capital of the Corporation at a deemed issue price per Common Share equal to \$0.025 (CDN \$0.035) and 4,863,861 Common Shares at a deemed issue price per Common Share equal to \$0.036 (CDN \$0.05). In aggregate, 62,407,767 Common Shares (the "Settlement Shares") were issued to AVI and are subject to a customary four month plus one day hold period.

Upon the TSXV acceptance of the Debt Conversion Transaction:

- (i) the forbearance agreement dated February 27, 2024 between Kovo and AVI terminated and the Corporation was no longer subject to the default interest rate provided for in the senior loan and security agreement dated as of April 20, 2023 (the "Loan Agreement"). Upon acceptance of the debt conversion the original \$860 forbearance fee was reduced by \$321; and

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**8. DEBTS (continued)**

- (ii) the amendment and restatement of the Loan Agreement (the "Amended and Restated Loan Agreement") was deemed effective and, among other things, extended the maturity date of the remaining indebtedness owed to AVI (the "Remaining Indebtedness") to April 30, 2025 and provided AVI with the right to convert the Remaining Indebtedness into Common Shares (the "Additional Conversion Right") at a fixed price of \$0.036 (CDN\$0.05) per share (the "Loan Agreement Amendments", with the Debt Conversion Transaction and the Loan Agreement Amendments collectively, the "Transaction").

As a condition to obtaining the TSX-V acceptance, the Corporation and AVI filed undertakings with the TSX-V confirming that:

- (i) Kovo has not and will not make any adjustments to the outstanding equity incentive awards issued under the Corporation's equity incentive plan as a consequence of or in respect of the Transaction; and
- (ii) AVI shall not exercise its Additional Conversion Right unless, after such conversion, Kovo continues to meet the applicable Continued Listing Requirements in accordance with the policies of the TSXV.

During the period from July 1, 2024 to September 30, 2024 the Lender advanced four additional tranches of funding aggregating to \$2,675, with fees equal to \$215.

Funds from the first tranche were received on April 20, 2023, in the amount of \$2,700 in relation to the E&A acquisition. Funds from the second tranche were received on June 2, 2023, in the amount of \$313 in relation to the Kairos acquisition. Funds from the third tranche were received on December 6, 2023, in the amount of \$37. Funds from the fourth tranche were received on February 29, 2024 in the amount of \$1,250. Funds from the fifth tranche were received on May 3, 2024 in the amount of \$500. Funds from the sixth tranche were received on July 8, 2024 in the amount of \$200. Funds from the seventh tranche were received on July 31, 2024 in the amount of \$2,100. Funds from the eighth tranche were received on September 11, 2024 in the amount of \$300. Funds from the ninth tranche were received on September 30, 2024 in the amount of \$200. In addition, \$91 of professional fees were added to the principal balance during the three-month period ending September 30, 2024. The principal and any unpaid interest are due at the maturity date. As of September 30, 2024, the Company remains in compliance with all covenants specified within the forbearance agreement. The loan is secured by all of the Company's assets.

As of September 30, 2024, the balance was \$7,967 (December 31, 2024 – \$3,050) of which \$7,967 (December 31, 2024 – \$3,050) is included in current portion of long term debt and a balance of nil was included in long term debt.

Subsequent to the period ended September 30, 2024, but prior to the release of these condensed consolidated interim financial statements, the Company completed certain financing transactions with AVI, see Subsequent Event for more information (*Note 15*).

*Promissory Note to Cheryl Gundry*

On August 31, 2024, the Company acquired the assets of Healthcare Data Management Inc. and as part of the consideration issued a secured two-year promissory note for \$2,200, maturing on August 31, 2026, with a variable interest rate which is the short term Applicable Federal Rate (AFR) published by the United States Department of the Treasury, Internal Revenue Service. The principal of the note must be paid in four equal installments on a semi-annual basis to which interest is payable monthly. As of September 30, 2024, the balance was 2,200 (December 31, 2023 – nil), of which \$1,100 was included in short term debts and a balance of \$1,100 was included in long term debts.

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**8. DEBTS** (continued)

*Promissory Note to Curt Cvikota*

On November 1, 2021, the Company acquired the assets of The Cvikota Company and as part of the consideration issued a non-secured promissory note for \$688, with interest at the rate of 5% per annum. The principal of the note shall be due as to one-half on November 1, 2022 and the remaining half on November 1, 2023. On February 13, 2023 the Promissory Note to Curt Cvikota was amended so that the First Principal payment is due on November 1, 2023 and the Second Principal payment is due on November 1, 2024. As of September 30, 2024, the balance was \$343 (December 31, 2023 - \$337), of which \$343 was included in short term debts and a balance of nil was included in long term debt.

*Tech-Time Debts*

The Company committed to a non-interest-bearing consulting contract with the former president of Tech-Time to provide Kovo Inc. (formerly MedWorxs Inc.) services totaling \$778 starting June 2, 2015, which would pay the president of Tech-Time \$8 per month until the contract was fulfilled. For accounting purposes, the consulting contract has been treated as a contractual obligation and financial instrument. The Company has discounted the contract as of December 31, 2022 using an imputed interest rate similar to a Small Business Administration (“SBA”) loan, which as of June 30, 2024 was 10.25% per annum (December 31, 2023 – 10.25% per annum) and assumes a maturity of November 30, 2024.

This debt was settled on September 30, 2024 in the amount for a one-time payment of \$60. The debt settlement resulted in a gain on extinguishment of debt of \$57.

Long Term Debt

*EIDL loan*

On June 8, 2020, the Company received \$150 and on April 26, 2022, the Company received an additional amount of \$1,850, for a total of \$2,000, from the U.S. Small Business Administration (“SBA”) under the Economic Injury Disaster Loan (“EIDL”) program administered by the SBA, which program was expanded pursuant to the CARES Act. EIDL is designed to provide economic relief to businesses that are currently experiencing a temporary loss of revenue. EIDL proceeds can be used to cover a wide array of working capital and normal operating expenses, such as continuation to health care benefits, rent, utilities, and fixed debt payments.

The loan carries an interest rate of 3.75% per annum and is amortized over 30 years, with the first payment due 30 months after the loan origination date, accruing interest until payments commence. The Company incurred \$59 in interest expense during the nine months ended September 30, 2024 (September 30, 2023 - \$60). As of September 30, 2024, the balance was \$1,988 (December 31, 2023 - \$2,016), of which \$41 was included in short term debt and \$1,947 included in long term debt.

*Healthcell Promissory Note*

On February 1, 2023, the Company received a promissory note from HealthCell LLC in the amount of \$250 with a three-year term. The Company is to make interest only payments, at 8% per annum, starting February 1, 2023, and repay the principal balance in full on February 1, 2026. As of September 30, 2024, the outstanding balance was \$250, of which nil was included in short term debt and \$250 included in long term debt.

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**8. DEBTS (continued)**

Scheduled repayments of all short-term debt, long term debt are as follows:

	\$
0 to 1 year	9,530
1 to 2 years	1,468
3 to 5 years	355
Thereafter	2,744
Less: effective interest	(1,349)
	<u>12,748</u>

**9. LEASE LIABILITIES**

The Company leases office spaces and a data center. The following table presents the lease obligations of the Company:

	September 30, 2024
Beginning balance as of January 1, 2024	\$ 259
Additions	-
Payment of lease obligations	(144)
Interest expense on lease obligations	17
<u>Ending Balance as of September 30, 2024</u>	<u>\$ 132</u>

The following table presents an analysis of the contractual undiscounted cash flows from lease obligations:

	September 30, 2024
Maturity analysis – contractual undiscounted cash flows	
Less than one year	\$ 78
One to five years	70
More than five years	-
<b>Total undiscounted lease obligations</b>	<b>\$ 148</b>
Lease obligations	\$ 132
Current portion	\$ 66
Non-current portion	\$ 66

Leases greater than one year were capitalized as right-of-use assets (Note 6). As of September 30, 2024, the Company has three active lease agreements. Two of which were office leases obtained as part of its acquisition of Cvikota, both ending on October 31, 2024. The third lease agreement has a lease term greater than a year used for office space obtained as part of the E&A acquisition; this lease ends on September 30, 2026.

When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate. The weighted-average rate applied was 10.9%.

## 10. SHARE CAPITAL

### *Common Shares*

The Company has authorized share capital of unlimited common shares without par value.

#### For the nine months ended September 30, 2024:

On July 24, 2024, the Company issued 62,407,767 common shares as part of the Avonlea Debt conversion transaction. Issuing 57,543,906 common shares were at a deemed issue price per common share equal to \$0.026 (CDN \$0.035) and 4,863,861 common shares were issued at a deemed issue price per common share equal to \$0.037 (CDN \$0.05).

As at September 30, 2024, the Company had 119,951,673 common shares outstanding (December 31, 2023 – 57,543,906 common shares outstanding).

#### For the nine months ended September 30, 2023:

The Company issued 17,600,000 common shares as part of the acquisition of E&A at a value of \$0.16 USD per common share during the nine months ended September 30, 2023.

As of September 30, 2023, the Company had 57,543,906 common shares outstanding (December 31, 2022 – 39,943,906 common shares outstanding).

### *Incentive Plans*

The Company has adopted a Stock Option Plan (“SOP”) under which it is authorized to grant stock options (“Options”) to officers, directors, employees and consultants enabling them to acquire common shares of the Company. The Company has also adopted a Restricted Share Unit Plan (“RSU Plan”) under which it is authorized to grant restricted share units (“RSUs” and, together with Options, “Awards”) to officers, directors, employees and consultants enabling them to acquire common shares of the Company. The maximum number of common shares reserved for issuance of Awards that may be granted under the plan is 10% of the issued and outstanding common shares of the Company.

The stock option activity for the period were as follows:

	<b>Number of Options</b>		<b>Weighted Average</b>
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

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**10. SHARE CAPITAL** (continued)

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

<b>Exercise Price</b>	<b>Number of options outstanding</b>	<b>Weighted average remaining life (months)</b>
\$ 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
	<b>3,110,882</b>	<b>12</b>

During the three and nine months ended September 30, 2024, the Company did not issue options to staff and recorded \$1 and \$36 respectively (September 30, 2023 - \$21 and \$245 for the three and nine months ended, to which \$nil and \$175 related to issuance of restricted stock units for three and nine months ended) in share-based compensation of which \$nil related to issuance of restricted stock units.

The compensation expenses were based on the fair value of each stock option on the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions for the six months ended September 30, 2024. No options have been issued for the periods ending September 30, 2024.

*Warrants*

A summary of all warrants issued is as follows:

	<b>Warrants Outstanding</b>	<b>Weighted average exercise price</b>
Balance December 31, 2023	14,080,506	\$0.467
Issued	-	-
Expired	(3,146,563)	\$0.565
Balance September 30, 2024	10,933,943	\$0.292

**11. GENERAL AND ADMINISTRATIVE EXPENSES**

General and administrative expenses for the three and six months ended September 30, 2024 and 2023:

	<b>For the three months ended</b>		<b>For the nine months ended</b>	
	<b>September 30, 2024</b>	<b>September 30, 2023</b>	<b>September 30, 2024</b>	<b>September 30, 2023</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
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>

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**12. LOSS PER SHARE**

The weighted average number of shares includes common shares. The effect of adjustments to the weighted average number of common shares would be anti-dilutive when the Company incurs losses.

The calculation of basic and diluted loss per share for the years ended was based on the information in the table below.

<i>(Expressed in thousands of US dollars, except share and per share amounts)</i>	<b>For the three months ended</b>		<b>For the nine months ended</b>	
	<b>September 30, 2024</b>	<b>September 30, 2023</b>	<b>September 30, 2024</b>	<b>September 30, 2023</b>
Basic weighted average number of shares outstanding - opening balance	57,543,906	57,543,906	57,543,906	39,943,906
Issuances of shares for Avonlea Debt Conversion	50,875,897	-	17,082,418	-
Issuances of shares for AccelVue acquisition	-	-	-	-
Issuances of shares for E&A acquisition	-	-	-	10,572,894
Basic weighted average number of shares outstanding - ending balance	108,419,803	57,543,906	74,626,324	50,516,800
Diluted weighted average number of shares outstanding	108,419,803	57,543,906	74,626,324	50,516,800
Net loss for the period	\$ (1,494)	\$ (797)	\$ (4,428)	\$ (2,969)
Weighted average basic loss per share	\$ <b>(0.014)</b>	\$ <b>(0.014)</b>	\$ <b>(0.059)</b>	\$ <b>(0.059)</b>
Weighted average diluted loss per share	\$ <b>(0.014)</b>	\$ <b>(0.014)</b>	\$ <b>(0.059)</b>	\$ <b>(0.059)</b>

**13. RELATED PARTY BALANCES AND TRANSACTIONS**

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.

Short-term employee benefits provided by the Company to key management personnel include salaries, directors' fees, statutory benefit contributions, paid annual vacation and paid sick leave as well as non-monetary benefits such as medical care. In addition to short-term employee benefits, the Company may also issue RSUs or options as part of the stock option plan. Key management personnel are those persons having the authority and responsibility for planning, directing and controlling activities of the Company, directly or indirectly, including newly acquired Company's see Note 5 for more information.

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 includes a non-interest bearing secured promissory note receivable disclosed in Note 4(a) and the AVI debt disclosed in Note 8.

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.

#### **14. CONTINGENCIES**

From time to time, the Company may be involved in various legal disputes, which arise in the ordinary course of business. There are currently three claims and possible claims by and against the Company for which the Company has taken an accrual of \$240 as of September 30, 2024 which management believes is in accordance with the Company's applicable financial reporting framework. The claims and possible claims evaluated involve a dispute with a former employee as well as several others matters involving certain of the Company's clients and service providers.

#### **15. SUBSEQUENT EVENTS**

##### **AccelVue Acquisition**

On October 7, 2024, the Company closed an asset purchase agreement with HEAL USA Corp. ("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 asset purchase agreement 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.

**15. SUBSEQUENT EVENTS** (continued)

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+.