



**AUDITED ANNUAL CONSOLIDATED FINANCIAL STATEMENTS**

**OF**

**KOVO+ HOLDINGS INC.**

**(FORMERLY KOVO HEALTHTECH CORPORATION)**

**FOR THE YEARS ENDED**

**DECEMBER 31, 2024 AND 2023**

**Expressed in thousands of US Dollars, unless otherwise noted**

## **Responsibility for Consolidated Financial Statements**

The Board of Directors oversees management's responsibilities for the consolidated financial statements through the activities of its Audit Committee. The Company's management is responsible for the integrity and fairness of presentation of these consolidated financial statements. The consolidated financial statements have been prepared by management, in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, for approval by the Board of Directors.

Where necessary, management has made judgements and estimates in preparing the consolidated financial statements and such statements have been prepared within acceptable limits of materiality. Management maintains a system of internal accounting controls to ensure, on a reasonable and cost-effective basis, that the financial information is timely reported and is accurate and reliable in all material respects and that the Company's assets are appropriately accounted for and adequately safeguarded.

A firm of independent Chartered Professional Accountants, SRCO Professional Corporation, appointed by the shareholders, audited the consolidated financial statements in accordance with Canadian generally accepted auditing standards and provided an independent professional opinion on the consolidated financial statements.

“Signed”

Justin Anderson  
Chief Executive Officer

April 30, 2025



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Chartered Professional Accountants  
Licensed Public Accountants  
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## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Kovo+ Holdings Inc. (formerly Kovo Healthtech Corporation)

### *Opinion*

We have audited the consolidated financial statements of Kovo+ Holdings Inc. (formerly Kovo Healthtech Corporation) and its subsidiaries (the “Company”), which comprise the consolidated statements of financial position as at December 31, 2024 and 2023, and the consolidated statements of operations and comprehensive loss, changes in shareholders’ deficiency, and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

### *Basis for Opinion*

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Emphasis of Matter - Material Uncertainty Related to Going Concern*

We draw attention to Note 1 to the consolidated financial statements, which indicates that the Company incurred a net loss during the year ended December 31, 2024 and had a working capital deficit and an accumulated deficit at December 31, 2024. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that material uncertainties exist that may cast significant doubt on the Company’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2024. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Emphasis of Matter - Material Uncertainty Related to Going Concern* section of our report, we have determined the matters described below to be the key audit matters to be communicated in our report.

(continues)



**Independent Auditor’s Report to the Shareholders of Kovo+ Holdings Inc. (formerly Kovo Healthtech Corporation) (continued)**

**Key Audit Matters (continued)**

Key audit matters	How our audit addressed the key audit matters
<p><b>Acquisition</b></p> <p><i>During the year ended December 31, 2024, the Company acquired the net assets of Healthcare Data Management. The acquisition was treated as a business combination.</i></p> <p><i>In determining the fair value of consideration paid, the fair value of the net identifiable assets acquired, and the resulting goodwill, management used a discounted cash flow model to measure the business enterprise value and the acquired net identifiable assets, where significant estimation was exercised in the determination of projected revenues, operating expenses, terminal growth and the discount rate used.</i></p>	<p>We determined this as a key audit matter due to the subjective nature of estimating the fair value of identifiable assets and liabilities as at the date of acquisition, particularly for intangible assets.</p> <p>We performed the following procedures:</p> <ul style="list-style-type: none"> <li>▪ Read the purchase agreement to obtain an understanding of the key terms and conditions involved in the acquisition;</li> <li>▪ Evaluated the appropriateness of the acquisition being a business combination rather than an asset acquisition;</li> <li>▪ Evaluated the reasonableness of management’s inputs and assumptions, and tested the underlying data used in the discounted cash flow model for accuracy and completeness;</li> <li>▪ Engaged our professional with specialized skills and knowledge in the field of valuation to evaluate the methodology and assumptions used; and</li> <li>▪ Assessed the overall presentation and disclosure in the consolidated financial statements.</li> </ul>
<p><b>Intangible assets and goodwill impairment assessment</b></p> <p><i>In accordance with IAS 36 Impairment of Assets, management is required to test for impairment annually, or when facts and circumstances suggest it may be impaired. The Company’s impairment test required management to make significant assumptions in determining the recoverable amount, such as revenue forecast, discount rate, and terminal growth. Management concluded that no impairment charge was required as a result of the impairment assessment performed.</i></p>	<p>We determined this as a key audit matter as it represented an area of significant risk of material misstatement given the magnitude of the goodwill and intangible assets and the high degree of estimation uncertainty in determining the recoverable amount. In addition, significant auditor judgement and specialized skills and knowledge were required in evaluating the results of our audit procedures due to the sensitivity of the Company’s determination of recoverable amount to minor changes to significant assumptions. We considered this a key audit matter due to the judgments made by management in assessing the indications of impairment and developing the assumptions to determine the recoverable amounts.</p> <p>We performed the following procedures:</p> <ul style="list-style-type: none"> <li>▪ Evaluated management’s process and methodology;</li> <li>▪ Tested the completeness and accuracy of data and, reasonableness of assumptions used in the Company’s impairment assessment;</li> <li>▪ Engaged our professional with specialized skills and knowledge in the field of valuation to evaluate the methodology and assumptions used;</li> <li>▪ Performed sensitivity analyses over these assumptions to assess the impact on the recoverable amount of the intangible assets and goodwill; and</li> <li>▪ Assessed the overall presentation and disclosure in the consolidated financial statements.</li> </ul>

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**Independent Auditor's Report to the Shareholders of Kovo+ Holdings Inc. (formerly Kovo Healthtech Corporation) (continued)**

***Other Information***

Management is responsible for the other information. The other information comprises the information included in the Management's Discussion and Analysis but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated.

We obtained the Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

***Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS as issued by the IASB, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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**Independent Auditor's Report to the Shareholders of Kovo+ Holdings Inc. (formerly Kovo Healthtech Corporation) (continued)**

***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)***

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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**Independent Auditor's Report to the Shareholders of Kovo+ Holdings Inc. (formerly Kovo Healthtech Corporation) (continued)**

The engagement partner on the audit resulting in this independent auditor's report is Sameer Parekh.

*SRCO Professional Corporation*

Richmond Hill, Canada  
April 30, 2025

CHARTERED PROFESSIONAL ACCOUNTANTS  
Authorized to practice public accounting by the  
Chartered Professional Accountants of Ontario

## Consolidated Statements of Financial Position

		December 31, 2024	December 31, 2023
	Notes	\$	\$
<b>Assets</b>			
<b>Current</b>			
Cash		305	102
Accounts receivable	4	121	252
Other receivables and prepaid expenses		199	98
Promissory note receivable	4	215	218
		<b>840</b>	<b>670</b>
<b>Non-current</b>			
Right-of-use assets	5	96	250
Property and equipment		10	32
Intangible assets	6	5,693	4,338
Goodwill	6	4,731	3,967
<b>Total assets</b>		<b>11,370</b>	<b>9,257</b>
<b>Liabilities and shareholders' deficiency</b>			
<b>Current</b>			
Accounts payable and accrued liabilities	13	1,935	3,172
Short term debts	7	10,975	3,524
Current portion of lease liabilities	8	58	151
		<b>12,968</b>	<b>6,847</b>
<b>Non-current</b>			
Long term debts	7	2,346	2,227
Deferred tax liability	12	-	374
Lease liabilities	8	50	108
<b>Total liabilities</b>		<b>15,364</b>	<b>9,556</b>
<b>Shareholders' deficiency</b>			
Share capital	9	10,929	8,787
Contributed surplus	9	1,887	1,857
Deficiency		(16,810)	(10,943)
<b>Total shareholders' deficiency</b>		<b>(3,994)</b>	<b>(299)</b>
<b>Total liabilities and shareholders' deficiency</b>		<b>11,370</b>	<b>9,257</b>

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

*Contingencies (Note 14)*

*Subsequent events (Note 16)*

*The accompanying notes are an integral part of these audited consolidated financial statements*

**Consolidated Statements of Operations and Comprehensive Loss**

	Notes	For the years ended	
		December 31, 2024	December 31, 2023
		\$	\$
<b>Revenue</b>			
RCM revenue		9,487	8,767
Inpatient systems		429	471
Software revenue		177	196
Credentialing Services		139	203
Ambulatory software		149	178
Hourly Services		180	200
<b>Total revenue</b>		<b>10,561</b>	<b>10,015</b>
<b>Operating expenses</b>			
Salaries and benefits		8,720	8,655
General and administrative	10	4,133	3,847
Share-based compensation	9	30	244
Depreciation and amortization	5,6	921	793
<b>Total operating expenses</b>		<b>13,804</b>	<b>13,539</b>
<b>Net operating loss</b>		<b>(3,243)</b>	<b>(3,524)</b>
<b>Other income (expense)</b>			
Interest expense	7	(2,227)	(593)
Other expense		(200)	-
Financing charges	7	(629)	(444)
Acquisition-related expenses		-	(191)
Other income	7	58	31
<b>Net other expense</b>		<b>(2,998)</b>	<b>(1,197)</b>
<b>Net loss before income tax</b>		<b>(6,241)</b>	<b>(4,721)</b>
Deferred tax recovery	12	374	37
<b>Net loss and comprehensive loss</b>		<b>(5,867)</b>	<b>(4,684)</b>
<b>Basic and diluted loss per share</b>	11	<b>\$ (0.07)</b>	<b>\$ (0.09)</b>
<b>Weighted average number of common shares outstanding basic and diluted</b>	11	<b>89,094,702</b>	<b>52,288,016</b>

*The accompanying notes are an integral part of these audited consolidated financial statements*

KOVO+ HOLDINGS INC.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

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

**Consolidated Statements of Changes in Shareholders' Deficiency**

	Notes	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	9	-	-	244	-	244
Issuance of common shares	9	17,600,000	2,984	-	-	2,984
Warrants issued	9	-	-	233	-	233
Net loss and comprehensive loss		-	-	-	(4,684)	(4,684)
<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	9	-	-	30	-	30
Share issuance for debt conversion	7, 9	62,407,767	1,657	-	-	1,657
Share issuance for AccelVue	6, 9	13,180,038	485	-	-	485
Net loss and comprehensive loss		-	-	-	(5,867)	(5,867)
<b>Balances as at December 31, 2024</b>		<b>133,131,711</b>	<b>10,929</b>	<b>1,887</b>	<b>(16,810)</b>	<b>(3,994)</b>

*The accompanying notes are an integral part of these audited consolidated financial statements*

## Consolidated Statements of Cash Flows

	Notes	For the years ended	
		December 31, 2024	December 31, 2023
		\$	\$
<b>OPERATING ACTIVITIES</b>			
Net loss and comprehensive loss		(5,867)	(4,684)
Adjustments for non-cash items:			
Depreciation and amortization	5,6	921	793
Debt servicing costs	7	629	-
Interest expense	7	1,920	49
Accretion expense on lease liabilities	8	21	37
Share based compensation	9	30	244
Gain on lease modification	8	-	(11)
Loss (gain) from extinguishment of debt	7	(57)	427
Deferred tax recovery	12	(374)	(37)
Net change in working capital:			
Accounts receivable		131	58
Other receivables and prepaid expenses		(101)	117
Accounts payable and accrued liabilities		(1,237)	2,328
Taxes payable		-	(36)
Contract liabilities		-	(2)
<b>Net cash used in operating activities</b>		<b>(3,984)</b>	<b>(717)</b>
<b>INVESTING ACTIVITIES</b>			
Additions to intangible assets	6	(134)	(392)
Additions to property and equipment		(6)	(37)
Acquisition of HDM	15	(1,100)	-
Acquisition of E&A	15	-	(2,700)
Acquisition of Kairos	15	-	(150)
Receipts on notes receivable		-	7
<b>Net cash used in investing activities</b>		<b>(1,240)</b>	<b>(3,272)</b>
<b>FINANCING ACTIVITIES</b>			
Net receipts on debt	7	6,120	3,300
Net payments on debt	7	(521)	(2,930)
Proceeds from issuance of common shares, net of financing costs	7, 9	-	3,217
Lease payments	8	(172)	(188)
<b>Net cash from financing activities</b>		<b>5,427</b>	<b>3,399</b>
<b>Net Increase (decrease) in cash</b>		<b>203</b>	<b>(590)</b>
Cash balance, beginning of period		102	692
<b>Cash balance, end of period</b>		<b>305</b>	<b>102</b>
<b>Supplemental Non Cash Information</b>			
Promissory notes issued for acquisitions		1,136	-
Share issuance for debt conversion		1,657	-
Share issuance for acquisition		485	-
Additions to intangible assets		(542)	-
Interest paid		(286)	(482)

The accompanying notes are an integral part of these audited consolidated financial statements

## 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 audited consolidated 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 audited consolidated 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 year ended December 31, 2024, the Company incurred a loss from operations of \$3,243 and a net loss and comprehensive loss of \$5,867 and cash used in operating activities of \$3,984. As at December 31, 2024, the Company had a working capital deficit of \$12,128 and an accumulated deficit of \$16,810. These factors create a material uncertainty that cast significant doubt regarding the Company’s ability to continue as a going concern. Management intends to finance its future development activities and operations from the sale of equity and 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 year ended December 31, 2024, but prior to the release of these consolidated financial statements, the Company completed certain financing transactions, see Subsequent Events (*Note 16*). 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.

## 2. BASIS OF PRESENTATION, MEASUREMENT AND CONSOLIDATION

### (a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and are comprised of the IFRS, International Accounting Standard (“IAS”) and Interpretations issued by IFRS Interpretations Committee (“IFRIC”), effective for the Company’s reporting for the years ended December 31, 2024 and 2023.

These consolidated financial statements were approved by the board of directors of the Company for issue on April 30, 2025.

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

### (b) Basis of Measurement

The consolidated 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 audited consolidated 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 subsidiary, Nexus AI Data 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. (US Corporation) wholly owned subsidiary HEAL Vue, Inc. (US Corporation); HEAL Vue, Inc. (US Corporation) wholly owned subsidiaries 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 (US Corporation), E&A Medical Billing ("E&A") (US Corporation), Kairos Billing Solutions (US Corporation), and Healthcare Data Management (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.

### (d) Segments

The consolidated financial statements include one operating segment for the overall business. The operating results are regularly reviewed by the chief operating decision makers 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 consolidated financial statements are presented as one operating segment.

### (e) Functional and Presentation Currency

These consolidated 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 operations and comprehensive loss.

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

### (f) Use of Estimates and Judgements

The preparation of the consolidated financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated year end financial statements and the reported revenues and expenses during the period. Actual results could differ from these estimates. Significant assumptions about the future and other sources of estimation and judgment uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to:

#### (i) Estimates

##### Fair value measurement of non-interest-bearing debt

The Company has estimated, on initial recognition, the fair market value of certain debts that do not have a defined coupon rate, using a comparative interest rate for similar liabilities and a discounted cash flow to determine a reasonable present value. Additional details on debt are disclosed in Note 7.

##### Fair value measurement of stock options and warrants

The Company measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date on which they are granted. Estimating fair value for stock options and warrants requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires the determination of the most appropriate inputs to the valuation model including the expected life of the stock options and warrants, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for stock options and warrants are disclosed in Note 9.

##### Going concern

The assumption that the Company will be able to continue as a going concern (refer Note 1) is subject to estimates and judgement by management including the Company's short and long-term operating budget, expected profitability, investing and financing activities, and management's strategic planning.

##### Useful life of capitalized software costs

The Company assumed that its software capital asset had a useful life of three years. The Company based this value on the average cycle of software upgrades and changes made to its software platform utilized by its clients. The useful life was estimated based on management's numerous years in the software business line and typical trend of software upgrades required.

##### Goodwill, intangible assets and related impairment

Management is required to use judgement in determining the economic useful lives of identifiable intangible assets. Judgement is also required to determine the frequency with which these assets are to be tested for impairment. The Company uses judgment in determining the grouping of assets to identify its Cash Generating Units ("CGUs") for purposes of testing for impairment of intangible assets and goodwill. In testing for impairment, goodwill acquired in a business combination is allocated to the CGUs that are expected to benefit from the synergies of the business combination. In testing for impairment of intangibles with indefinite lives, these assets are allocated to the CGUs to which they relate.

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

Future cash flows are estimated based on multiyear extrapolation of the most recent budgets and a terminal value calculated by discounting the final year in perpetuity. The growth rate applied to the terminal value is based on Management's estimate of the growth rate specific to the CGU being tested. The future cash flow estimates are then discounted to their present value using an appropriate discount rate that incorporates a risk premium specific to each business. The Company's determination of a CGU's recoverable amount based on fair value less cost to sell uses factors such as royalty rates for comparable assets. The Company's intangible assets consist of customer relationships, trademarks, licences and software.

### (ii) Accounting judgements

#### Income taxes

The Company recognizes the tax benefit from an uncertain tax position only if it is probable that the tax position will be sustained based on its technical merits. The Company measures and records the tax benefits from such a position based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The Company's estimated liabilities related to these matters are adjusted in the period in which the uncertain tax position is effectively settled, the statute limitations for examination expires, or when additional information becomes available. The Company's liability for unrecognized tax benefits requires the use of assumptions and significant judgment to estimate the exposures associated with our various filing positions.

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially such differences will affect the tax provisions in the period in which such determination is made.

Although the Company believes that the judgments and estimates made are reasonable, actual results could differ and resulting adjustments could materially affect our effective income tax rate and income tax provision.

#### Leases

Leases require lessees to discount lease payments using the rate implicit in the lease if that rate is readily available. If the rate cannot be readily determined, the lessee is required to use its incremental borrowing rate. The Company generally uses the incremental borrowing rate when initially recording real estate leases as the implicit rates are not readily available as information from the lessor regarding the fair value of underlying assets and initial direct costs incurred by the lessor related to the leases assets is not available. The Company determines the incremental borrowing rate as the interest rate of the Company would pay to borrow over a similar economic environment. The weighted average rate applied was 11.3% per annum (2023 - 10.9%). Leases require lessees to estimate the lease term. In determining the period in which the Company has the right to use an underlying asset, management considers the non-cancellable period along with all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option.

#### Consolidation

The Company uses judgment in determining the entities that it controls and consolidates accordingly. An entity is controlled when the Company has power over an entity, exposure or rights to variable returns from its involvement with the entity and is able to use its power over the entity to affect its return from the entity. The Company has power over an entity when it has existing rights that give it the current ability to direct the relevant activities, which are the activities that significantly affect the investee's returns. Since power comes from rights, power can result from contractual arrangements. However, certain contractual arrangements contain rights that are designed to protect the Company's interest, without giving it power over the entity.

### 3. MATERIAL ACCOUNTING POLICY INFORMATION

The accounting policies used in the preparation of these consolidated financial statements are described below:

#### (a) Cash

Cash in the consolidated statements of financial position comprised of cash held in bank accounts.

#### (b) Capitalized Software Costs

Software development costs, consisting primarily of employee salaries and benefits and certain third-party costs, incurred in the development of new software solutions and enhancements to existing software solutions for external sale are expensed as incurred, and reported as salaries and benefits in the consolidated statements of operations and comprehensive loss, until technological feasibility has been established. After technological feasibility is established, any additional software development costs are capitalized.

Amortization of capitalized software is recorded on a straight-line basis over the estimated economic life of the related product, which is typically three years. The total of capitalized software costs incurred in the development of products for external sale are reported as capitalized software costs within the consolidated statements of financial position, net of amortization and impairment, if any.

The Company also incurs costs related to the development of software applications for the development of software-as-a-service ("SaaS") based solutions sold under the Practice Management Software revenue stream. The development costs of the SaaS-based solutions are considered internal-use for accounting purposes.

The capitalized development costs are stated at cost and amortized on a straight-line basis over the estimated useful lives of the assets, which is typically three years. Application development stage costs generally include costs associated with the software configuration, coding, installation and testing. Costs related to the preliminary project stage and post-implementation activities are expensed as incurred. Costs of significant upgrades and enhancements that result in additional functionality are also capitalized, whereas costs incurred for maintenance and minor upgrades and enhancements are expensed as incurred. Capitalized software costs for the development of SaaS-based solutions are reported as capitalized software costs under intangible assets within the consolidated statements of financial position.

The Company periodically reassess the estimated economic life and the recoverability of the capitalized software costs. If the Company determines that the capitalized amounts are not recoverable based on the expected net cash flows to be generated from sales of the applicable software solutions, the amount by which the unamortized capitalized costs exceed the net realizable value is written off as a charge to the consolidated statements of operations and comprehensive loss. The net realizable value is estimated as the expected future gross revenues from that product reduced by the estimated future costs of completing and disposing of that product, including the costs of performing maintenance and client support required to satisfy our responsibility at the time of sale. In addition to the assessment of net realizable value, the Company reviews and adjusts the remaining estimated lives of our capitalized software costs, if necessary. The Company also performs a periodic review of the software solutions and disposes of fully amortized capitalized software costs after such products are determined to be no longer used by the clients.

**3. MATERIAL ACCOUNTING POLICY INFORMATION** (continued)**(c) Business Combination**

A business combination is a transaction or event in which an acquirer obtains control of one or more businesses and is accounted for using the acquisition method. The total consideration paid for the acquisition is the aggregate of the fair values of assets given, liabilities incurred or assumed, and equity instruments issued in exchange for control of the acquiree at the acquisition date. The acquisition date is the date where the Company obtains control of the acquiree. The identifiable assets acquired and liabilities assumed are recognized at their acquisition date's fair values, except for deferred taxes and share-based payment awards where IFRS provides exceptions to recording the amounts at fair value. Acquisition costs are expensed to profit or loss.

Contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IFRS 9 – *Financial Instruments*, or IAS 37 - *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

Non-controlling interest in the acquiree, if any, is recognized either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets, determined on an acquisition-by-acquisition basis. For each acquisition, the excess of total consideration, the fair value of previously held equity interest prior to obtaining control and the non-controlling interest in the acquiree, over the fair value of the identifiable net asset acquired, is recorded as goodwill.

Certain fair values may be estimated at the acquisition date pending confirmation or completion of the valuation process. Where provisional values are used in accounting for a business combination, they may be adjusted retrospectively in subsequent periods. The measurement period is the period from the acquisition date to the date complete information about facts and circumstances that existed as of the acquisition date is received. However, the measurement period does not exceed one year from the acquisition date.

Acquisitions that do not meet the definition of a business combination are accounted for as an asset acquisition. Consideration paid for an asset acquisition is allocated to the individual identifiable assets acquired and liabilities assumed based on their relative fair values.

In the accounting for reverse takeovers, the consideration is determined by reference to the fair value of equity the legal subsidiary would have issued to the legal parent entity for the shareholders to obtain the same percentage ownership interest in the combined entity. The fair value of the issued equity is determined based on the most reliable and observable fair value measures being the value of shares and warrants the legal parent has outstanding at the time of the Reverse Takeover. The fair value is assigned to the assets and liabilities assumed, with any differences being expensed in the consolidated statement of operations and comprehensive loss.

**(d) Intangible Assets**

Intangible assets acquired through asset acquisitions or business combinations are initially recognized at fair value. Intangible assets with indefinite lives are subsequently measured at cost less impairment, if any while intangible assets with definite lives are subsequently measured at cost less accumulated amortization and impairment, if any. The intangible assets with definite lives are amortized on a straight-line basis over their estimated useful lives unless such lives are deemed indefinite. The Company evaluates the reasonableness of the estimated useful lives of these intangible assets on an annual basis. The Company reviews intangible assets with indefinite lives annually for impairment but impairment may be reviewed earlier if circumstances indicate that the carrying amount may not be recoverable while intangible assets with definite lives are assessed for impairment when some or all of the internal or external indicators of impairment are met.

**3. MATERIAL ACCOUNTING POLICY INFORMATION** (continued)

The estimated useful lives of intangible assets are as follows:

Customer relationships	10 to 15 years
Intellectual property	5 years
Trademark	5 years

**(e) Goodwill**

Goodwill represents the excess for the price paid for the acquisition of an entity over the fair value of the net identifiable tangible and intangible assets and liabilities acquired. Goodwill is allocated to the CGU or CGUs to which it relates. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of a related business combination and represent the lowest level within the group at which management monitors goodwill. The Company allocates goodwill to one or more CGUs for the purpose of impairment testing.

The determination of these CGUs is based on management's judgment in regard to several factors such as shared infrastructure, similarity in service offering, and exposure to market risk and materiality. The Company has identified two cash-generating units ("CGUs"). The first CGU includes Medworx and the Medical Billing-as-a-Service operations, consisting of RPM, Midwest, Cvikota, E&A, and Kairos. The medical billing company acquired in 2024, Healthcare Data Management, is being maintained as a separate CGU and will be integrated into the Medical Billing-as-a-Service CGU once fully assimilated.

Goodwill is not subject to amortization and is tested annually for impairment or more frequently if events or changes in circumstances indicate that the carrying amount of goodwill might be impaired. In order to determine if the value of goodwill has been impaired, the CGU to which goodwill has been allocated must be valued using present value techniques. When applying this valuation technique, the Company relies on a number of factors, including historical results, business plans, forecasts and market data. Changes in the conditions for these judgments and estimates can significantly affect the assessed value of goodwill. Impairment is determined for goodwill by assessing if the carrying value of CGU, including goodwill, exceeds its recoverable amount determined as the greater of the estimated fair value less costs of disposal and the value in use. Impairment losses recognized in respect of the CGUs are first allocated to the carrying value of goodwill and any excess is allocated to the carrying amount of assets in the CGUs. Any goodwill impairment is recorded in the consolidated statements of operations and comprehensive loss in the period in which the impairment is identified. Impairment losses on goodwill are not subsequently reversed.

**(f) Financial Instruments**

The Company classifies its financial assets in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL.

For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

**3. MATERIAL ACCOUNTING POLICY INFORMATION** (continued)

The Company's financial assets and liabilities are classified as follows:

<b>Asset or Liability</b>	<b>Classification</b>
Cash	Amortized cost
Accounts receivable	Amortized cost
Promissory note receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Short term debts	Amortized cost
Long term debts	Amortized cost

*Classification*

Financial assets are classified and measured based on the business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are recognized in the consolidated statements of financial position if the Company has a contractual right to receive cash or other financial assets from another entity. Financial assets are derecognized when the rights to receive cash flows from the asset have expired or were transferred and the Company has transferred substantially all risks and rewards of ownership.

All financial liabilities are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instruments. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

Financial instruments are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets and liabilities measured at amortized cost are recognized initially at fair value inclusive of any directly attributable transaction costs and subsequently carried at amortized cost using the effective interest method, less any impairment losses.

Financial assets and financial liabilities are offset and the net amount presented in the statements of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

*Measurement*

All financial instruments are required to be measured at fair value on initial recognition, plus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are directly attributable to the acquisition or issuance of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss. Financial assets and financial liabilities with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest. Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured subsequently at amortized cost. The carrying value of the Company's financial assets held at amortized costs with short term maturities approximates fair value. All other financial assets including equity investments are subsequently measured at their fair values, with any changes taken through profit and loss or other comprehensive income (irrevocable election at the time of recognition). For certain financial liabilities measured subsequently at FVTPL, changes in fair value due to credit risk are recorded in other comprehensive income.

**3. MATERIAL ACCOUNTING POLICY INFORMATION** (continued)*Fair value*

Fair value estimates are made at the consolidated statements of financial position date based on relevant market information and other information about financial instruments. Financial assets and financial liabilities measured at fair value in the consolidated statements of financial position are grouped into a fair value evaluation hierarchy. This hierarchy combines financial assets and financial liabilities into three levels according to the significance of the inputs used in the fair value evaluation of the financial assets and financial liabilities. The fair value levels of the hierarchy are as follows:

- |         |  |
|---------|--|
| Level 1 | Quoted prices (unadjusted) in active markets for identical assets and liabilities at the financial reporting date;                           |
| Level 2 | Inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and |
| Level 3 | Inputs for the assets or liabilities that are not based on observable market data.   |

The level within which the financial asset or financial liability is classified is determined based on the lowest level of significant input to the fair value measurement. The Company fair valued non-interest bearing contractual obligations based on the average rate of comparable liabilities with similar financial terms and measured based on Level 3 inputs.

*Impairment of financial assets*

The Company recognizes loss allowances for expected credit losses on financial assets measured at amortized cost. Loss allowances for accounts receivables are always measured at an amount equal to lifetime expected credit losses if the amount is not considered fully recoverable.

A financial asset carried at amortized cost is considered credit-impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Individually significant financial assets are tested for credit-impairment on an individual basis. The remaining financial assets are assessed collectively.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

In assessing collective impairment, the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

Losses are recognized in the consolidated statements of operations and comprehensive loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the consolidated statements of operations and comprehensive loss.

**(g) Impairment of Non-Financial Assets**

The Company reviews the carrying amounts of its non-financial assets annually or when events or changes in circumstances indicate the assets may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs. Assets carried at fair value are excluded from impairment analysis.

**3. MATERIAL ACCOUNTING POLICY INFORMATION** (continued)

The recoverable amount is the higher of fair value, less costs of disposal and the value in use. In assessing value in use, the estimated future cash flows to be derived from continuing use of the asset or cash generating unit are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Fair value less costs of disposal is the amount obtainable from the sale of an asset or cash generating unit in an arm's length transaction between knowledgeable, willing parties, less the cost of disposal. When a binding sale agreement is not available, fair value less costs of disposal is estimated using a discounted cash flow approach with inputs and assumptions consistent with those of a market participant.

If the recoverable amount of an asset or cash generating unit is estimated to be less than their carrying amount, the carrying amount of the asset or cash generating unit is reduced to its recoverable amount. An impairment loss is recognized immediately in net income. Any impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU. Impairments of goodwill cannot be reversed. Impairments of other assets recognized in prior periods are assessed at the end of each reporting period to determine if the indicators of impairment have reversed or no longer exist. Where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized.

**(h) Related Party Transactions**

Parties are considered to be 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 considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

**(i) Leases**

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses. The cost of the right-of-use asset consists of the lease liability, any lease payments made, less any lease incentives and any direct costs incurred by the lessee. The lease liability includes the net present value of the following lease payments: i) fixed payments less any lease incentive receivables; ii) variable lease payments that are based on an index or rate; iii) expected payments by the lessee under residual value guarantees; iv) exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and v) payments of penalties for terminating the lease if the lease term reflects the lessee exercising an option to terminate the lease. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. The lease liability is subsequently increased by the interest costs on the lease liability and decreased by the lease payment made. The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

**(j) Revenue Recognition***IFRS 15 – Revenue from Contracts with Customers*

IFRS 15, Revenue from Contracts with Customers includes a five-step, principals-based recognition and measurement approach as well as requirements for accounting for contract costs and enhanced quantitative and qualitative disclosure requirements.

### 3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

1. Identify the contract with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contract; and
5. Recognize revenue when (or as) the entity satisfies a performance obligation.

The Company had six main revenue streams: RCM billing services, Ambulatory services, Inpatient system services, Software services (“Practice Management” Software), Credentialing services and Hourly services detailed as follows:

#### (i) RCM Billing Services

RCM is an outsourced service offered to clinics and hospitals for management of complex coding and filing required by medical practitioners to receive payment for their work from insurance companies and governmental agencies through programs such as US Medicare. RCM is billed monthly to customers as a fee-based service based on utilization.

The service balances the importance of establishing relationships with payers (such as insurance carriers and the US federal government) and acting as a liaison between carrier or government agency, physician office or facility, and the patient.

The RCM products and services are designed to be customizable to an individual practice or facility’s needs. The focus is on customizing the offering to the customer specific need, proven to optimize service quality and customer profitability.

The contracts with standard terms and conditions are executed with customers prior to the initiation of RCM services. The Company’s performance obligation is satisfied when RCM billing services are provided to the customer. The total transaction price for service contracts is allocated based on their stand-alone selling prices as negotiated with each customer. The revenue is recognized over time as performance obligations are satisfied.

#### (ii) Ambulatory Services

Systems which are designed for the specific use or function of an Ambulatory clinic. Ambulatory care is any same-day medical procedure performed in an outpatient setting. This refers to any medical service that is not performed in a hospital or facility that requires admission. Specialties which are considered Ambulatory are Internal Medicine, Family Practice, Dermatology, Obstetrics & Gynecology.

The contracts with standard terms and conditions are executed with customers prior to the initiation of Ambulatory services. The Company’s performance obligation is satisfied when the Ambulatory system is provided to the Ambulatory customer. The total transaction price for service contracts is allocated based on their stand-alone selling prices as negotiated with each customer. The revenue is recognized over time as performance obligations are satisfied.

#### (iii) Inpatient and Software Services - Practice Management (“PM”) Software

PM software provides clinics and medical practitioners with a comprehensive platform to manage all aspects of their practice. PM is offered as a Software as a Service (SaaS) product billed monthly under annual to multi year contracts. Components of a practice management system include management of insurer and government relationships, patient appointment scheduling, billing automation software, Electronic Data Interchange (EDI), capture of patient demographics and report generation. PM gives the clients the detail and visibility needed to effectively manage the financial and business side of the medical practice.

### 3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

The contracts with standard terms and conditions are executed with customers prior to the initiation of PM Software services. The access to the PM Software is the main performance obligation provided to a PM Software customer. The total transaction price for each contract is allocated based on their stand-alone selling prices as negotiated with each customer. Revenue from SaaS subscriptions and any other service is recognized over the term of the subscription.

#### (iv) Credentialing Services and Hourly Services

Credentialing services involve verifying and maintaining a healthcare provider's qualifications—such as licenses, education, and professional history—to ensure they meet the standards required by insurance companies and healthcare networks. This process allows providers to enroll with payers, legally bill for services, and stay compliant with regulatory requirements. Hourly services involve all other support services outside of the scope of regular RCM billing services.

The contracts with standard terms and conditions are executed with customers prior to the initiation of credentialing services and hourly services. The Company's performance obligation is satisfied when the credentialing services or the hourly services are completed. The total transaction price for service contracts is allocated based on their stand-alone selling prices as negotiated with each customer. The revenue is recognized at the point in time when the performance obligations are satisfied.

#### (k) Contract Balances

Contract balances result from the timing differences between our revenue recognition, invoicing, and cash collections. Such contract balances include accounts receivables, contract assets and contract liabilities. Accounts receivables include invoiced amounts where the right to receive payment is unconditional and only subject to the passage of time. Contract assets include amounts where revenue recognized exceeds the amount invoiced to the customer and the right to payment is not solely subject to the passage of time. Contract assets are generally based on future milestone payment due dates.

In such instances, the revenue recognized may exceed the amount invoiced to the customer and such balances are included in contract assets since our right to receive payment is not unconditional, but rather is conditional upon customer collections or the continued functionality of the software and our ongoing support and maintenance obligations. Contract liabilities consist mainly of fees invoiced or paid by our clients for which the associated services have not been performed and revenues have not been recognized.

Contract assets and contract liabilities are reported in a net position on an individual contract basis at the end of each reporting period. Contract assets are classified as current or long-term on the consolidated statements of financial position based on the timing of when the Company expects to complete the related performance obligations and invoice the customer. Contract liabilities are classified as current on the consolidated statements of financial position since the revenue recognition associated with the related customer payments and invoicing is expected to occur within the next twelve months. The Company recognizes any significant financing component as revenue over the contractual period using the effective interest method, and the associated interest income is reflected accordingly on the consolidated statement of operations and included in other income.

#### (l) Provisions

Provisions are recorded when a present legal, statutory or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the consolidated statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, if the effect is material, its carrying amount is the present value of those cash flows.

### 3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

#### (m) Share Capital

Financial instruments issued by the Company are classified as share capital only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares are classified as equity instruments. Incremental costs directly attributable to the issuance of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

For unit offerings, the proceeds from the issuance of units are allocated between common shares and share purchase warrants using the residual method, allocating fair value to the common shares and then share purchase warrants.

#### (n) Share Based Payments

##### *Share-based payment transactions*

Share-based compensation to employees is measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based compensation to non-employees is measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to reserves.

The fair value of options and warrants is determined using the Black–Scholes pricing model which incorporates all market vesting conditions on grant date. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

The fair value of equity-settled Restricted Share Unit ("RSU") is measured at the grant date based on the fair value of the Company's common shares, and each tranche is recognized using the graded vesting method over the period during which the RSU vest. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of RSUs that are expected to vest.

#### (o) Income Taxes

##### *Current income tax*

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amounts are those that are enacted or substantively enacted at the reporting date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

##### *Deferred income tax*

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The effect of a change in the enacted or substantively enacted tax rates is recognized in net earnings and comprehensive income or in equity depending on the item to which the adjustment relates.

**3. MATERIAL ACCOUNTING POLICY INFORMATION** (continued)

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

**(p) Loss Per Share**

Basic loss per share is computed by dividing net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is computed similar to basic loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

**(q) Property and Equipment**

Property and equipment are stated at cost, less accumulated depreciation, and impairment losses, if any. Cost includes any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation is calculated using the straight-line method to allocate their cost net of their residual values over their estimated useful lives as follows:

Classification	Useful Life
Computer equipment	2 years
Implementation Costs	2 years
Website Development	2 years

**(r) New and revised accounting standards adopted**

The Company applied for the first-time certain standards and amendments, which are effective for the fiscal year ended December 31, 2024:

Amendments to IAS 1: Classification of Liabilities as Current or Non-Current and Non-current Liabilities with Covenants

In January 2020 and October 2022, the IASB issued amendments to IAS 1 to specify the requirements relating to determining whether a liability should be presented as current or non-current in the consolidated statements of financial position. Under the new requirements, the assessment of whether a liability is presented as current or non-current is based on the contractual arrangements in place as at the reporting date and does not impact the amount or timing of recognition. These amendments also clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments apply retrospectively for annual reporting periods beginning on or after January 1, 2024. These amendments did not have a material impact on the Company's consolidated financial statements.

**(s) Standards, Amendments, and Interpretations Issued but Not Yet Adopted**

Certain new standards, amendments and interpretations have been issued but are not yet effective for the Company's consolidated financial statements for the periods presented. The Company has not early adopted any standards, amendments, or interpretations, which are issued but not yet effective.

### 3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

#### Amendments to IAS 21: The Effects of Changes in Foreign Exchange Rates

In August 2023, the IASB issued amendments to IAS 21 –The Effects of Changes in Foreign Exchange Rates in relation to Lack of Exchangeability. The amendments require entities to apply a consistent approach in assessing whether a currency can be exchanged into another currency, and in determining the exchange rate to use and the disclosures to provide when it cannot. These amendments are effective for annual reporting periods beginning on or after January 1, 2025, with early adoption permitted. The Company is assessing the potential impact of these amendments.

#### IFRS 18: Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 Presentation of financial statements. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new. It also requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified ‘roles’ of the primary financial statements and the notes. In addition, narrow-scope amendments have been made to IAS 7 Statement of Cash Flows. These include changing the starting point for determining cash flows from operations under the indirect method from ‘profit or loss’ to ‘operating profit or loss’ and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards. IFRS 18 and the amendments to the other standards, is effective for annual reporting periods beginning on or after January 1, 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively. The Company is currently evaluating the potential impact of IFRS 18 on the Company’s consolidated financial statements.

The Company continues to review changes to IFRS standards. There are no other pending IFRS or IFRIC interpretations that are expected to be relevant to the Company’s consolidated financial statements.

### 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.

**4. CAPITAL MANAGEMENT, FINANCIAL INSTRUMENTS AND RISK MANAGEMENT** (continued)**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.

The Company evaluates credit losses on a regular basis based on the aging and collectability of its receivables. As at December 31, 2024, the Company had a provision for expected credit losses of \$205 (December 31, 2023 - \$76).

On November 8, 2021, the Company amended the terms of a non-interest bearing secured promissory note receivable with the Company's Executive Chairman which was originally issued January 21, 2021, extending the due date from February 5, 2022 to February 15, 2024. The new agreement contained fixed monthly payments for 24 periods effective November 15, 2021, with the remaining balance to be paid on February 15, 2024. Given that the note was 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 note. As of December 31, 2024, \$215 (December 31, 2023 - \$218) was included in promissory note receivable. Refer to Note 16 Subsequent Events for additional information.

The following table provides information regarding the aged trading receivables:

	Current	31-60 days	61-90 days	91+ days
December 31, 2024	72%	27%	1%	0%
December 31, 2023	43%	14%	5%	38%

**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 debt and equity to fund its operations and acquisitions and will need to continue to secure additional funding for operations (Note 7). 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	1,935	-	-	-	1,935
Debts	11,794	497	355	2,714	15,360
Lease liabilities	68	53	-	-	121
	13,797	550	355	2,714	17,416

**4. CAPITAL MANAGEMENT, FINANCIAL INSTRUMENTS AND RISK MANAGEMENT** (continued)**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 instruments subject to variable interest rates (Note 7). 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 year ended December 31, 2024 would be \$7 (December 31, 2023 - \$1). 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:

	December 31, 2024
	\$
Cash	1
Other receivables and prepaid expenses	73
Accounts payable and accrued liabilities	151

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.

**5. RIGHT-OF-USE ASSETS****Cost**

Balances as at December 31, 2022	\$	585
Additions	\$	190
Lease Modification	\$	(10)
Balances as at December 31, 2023	\$	765
Additions	\$	-
Balances as at December 31, 2024	\$	765

**Accumulated Depreciation**

Balances as at December 31, 2022	\$	(356)
Depreciation	\$	(159)
Balances as at December 31, 2023	\$	(515)
Depreciation	\$	(154)
Balances as at December 31, 2024	\$	(669)

<b>Net Book Values as at December 31, 2023</b>	<b>\$</b>	<b>250</b>
<b>Net Book Values as at December 31, 2024</b>	<b>\$</b>	<b>96</b>

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

The right-of-use assets represent an office lease, utilized by the Company as at the reporting period (Note 8). No additional right-of-use assets acquired for the year ended December 31, 2024.

The Company acquired E&A, effective on April 20, 2023 (Note 15) for details on the acquisition. As part of the acquisition the Company obtained the rights to use to and obligation connected with an office lease in Phoenix, Arizona.

The Company included this right of use asset office lease as an addition of \$190 during the year ending December 31, 2023.

For the year ended December 31, 2024, the Company notes that it also recorded additional depreciation in the amount of \$26 (December 31, 2023 - \$55) related to computer equipment, ERP implementation fees and company websites.

**6. INTANGIBLE ASSETS AND GOODWILL**

	Intangible Assets and Goodwill						
	Intellectual	Customer				Total	Goodwill
	Property	Lists	Trademark	Licenses	Software		
\$	\$	\$	\$	\$	\$	\$	
<b>Cost</b>							
Balances as at December 31, 2022	458	2,831	-	-	955	4,244	2,371
Additions	-	1,355	310	-	392	2,057	1,596
Balances as at December 31, 2023	458	4,186	310	-	1,347	6,301	3,967
Additions	-	1,200	220	542	134	2,096	764
Balances as at December 31, 2024	458	5,386	530	542	1,481	8,397	4,731
<b>Accumulated Amortization</b>							
Balances as at December 31, 2022	(458)	(312)	-	-	(617)	(1,387)	-
Amortization	-	(306)	(47)	-	(223)	(576)	-
Balances as at December 31, 2023	(458)	(618)	(47)	-	(840)	(1,963)	-
Amortization	-	(382)	(77)	-	(282)	(741)	-
Balances as at December 31, 2024	(458)	(1,000)	(124)	-	(1,122)	(2,704)	-
<b>Net carrying amount as at December 31, 2023</b>	<b>-</b>	<b>3,568</b>	<b>263</b>	<b>-</b>	<b>507</b>	<b>4,338</b>	<b>3,967</b>
<b>Net carrying amount as at December 31, 2024</b>	<b>-</b>	<b>4,386</b>	<b>406</b>	<b>542</b>	<b>359</b>	<b>5,693</b>	<b>4,731</b>

Software licenses 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. Other intangible assets include customer relationships acquired as part of the following acquisitions namely RPM Billing LLC, Midwest Medical Billing Services, The Cvikota Company, Inc, E&A, Kairos Billing Solutions, and Healthcare Data Management Inc. 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. Goodwill represents the excess for the price paid for the acquisition of an entity over the fair value of the identifiable tangible and intangible assets. Goodwill is not amortized but is assigned to a CGU and is tested for impairment annually.

**AccelVue Licenses**

On October 10, 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.

## 6. INTANGIBLE ASSETS (continued)

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 \$0.036 (CDN \$0.05) (the "Consideration Shares"); and
- (ii) an unsecured 10% interest bearing 2-year term promissory note in the aggregate principal amount of \$57 for an aggregate purchase price of \$542 (the "Purchase Price").

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. As of January 1, 2025, HEAL USA Inc. is deemed a related party as it was acquired by Integrated Health Technology Inc. which is owned by AVI. Refer to Note 16 Subsequent Events for additional information.

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 and subsequent to year ending December 31, 2024, 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 \$50. See Note 16 for additional information.

### Impairment

At the end of each reporting period, the Company assessed whether there were events or changes in circumstances that would indicate that a CGU or group of CGUs were impaired. The Company considers external and internal factors, including the overall financial performance and relevant entity-specific factors, as part of this assessment. No impairment or reversals of impairment were identified as of December 31, 2024.

There was no impairment identified as of December 31, 2023.

**KOVO+ HOLDINGS INC.**

**NOTES TO THE AUDITED ANNUAL CONSOLIDATED FINANCIAL STATEMENTS**

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

**7. DEBTS**

<b>Short Term Debt</b>	<b>Interest Rate</b>	<b>Principal Balance 12/31/2024</b>	<b>Interest Rate</b>	<b>Principal Balance 12/31/2023</b>
Avonlea Debt	12.00%	\$ 9,945	12.00%	\$ 3,050
Promissory Note - August 31, 2024	4.19%	\$ 989	0.00%	\$ -
Promissory Note to Curt Cvikota	5.00%	\$ -	5.00%	\$ 339
Tech-Time Debts	10.25%	\$ -	10.25%	\$ 96
EIDL Loan	3.75%	\$ 41	3.75%	\$ 39
<b>Short Term Debt/ Weighted Average Interest Rate</b>	<b>11.27%</b>	<b>\$ 10,975</b>	<b>11.19%</b>	<b>\$ 3,524</b>
<b>Long Term Debt</b>	<b>Interest Rate</b>	<b>Principal Balance 12/31/2024</b>	<b>Interest Rate</b>	<b>Principal Balance 12/31/2023</b>
EIDL Loan	3.75%	\$ 1,936	3.75%	\$ 1,977
Promissory Note - August 31, 2024	4.19%	\$ 102	0.00%	\$ -
Health Cell	8.00%	\$ 250	8.00%	\$ 250
AccelVue	10.00%	\$ 58	0.00%	\$ -
<b>Long Term Debt/ Weighted Average Interest Rate</b>	<b>4.38%</b>	<b>\$ 2,346</b>	<b>4.23%</b>	<b>\$ 2,227</b>
<b>Total Debt/ Weighted Average Interest Rate</b>	<b>10.05%</b>	<b>\$ 13,321</b>	<b>8.49%</b>	<b>\$ 5,751</b>
<b>Weighted Average Interest Rate Increase for 100bp</b>	<b>0.15%</b>		<b>0.02%</b>	

Year over year movement of debt:

Balance as of December 31, 2022	\$ 4,888
Interest accretion	66
Loss from extinguishment of debt	427
Net receipts on debt	3,300
Net payments on debt	(2,930)
<b>Balance as of December 31, 2023</b>	<b>\$ 5,751</b>
Interest accretion	1,920
Debt servicing costs	629
Net receipts on debt	6,120
Promissory notes issued for acquisitions	1,136
Net payments on debt	(521)
Share issuance for debt conversion	(1,657)
Gain from extinguishment of debt	(57)
<b>Balance as of December 31, 2024</b>	<b>\$ 13,321</b>

Short Term Debt

*Avonlea Loan*

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 plus an interest waiver fee when the Company does not pay the regular monthly interest payment. The interest waiver fee is equal to 1% of the aggregate indebtedness owed to AVI which is calculated and payable on the last day of the month immediately after regular interest is calculated. This waiver fee is not added to the principal balance of the indebtedness but is accounted for separately. The Company can obtain funds up to \$7,000 and has a maturity date of April 30, 2024.

**7. DEBTS** (continued)

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 Company settled outstanding debt in the aggregate amount \$1,657 (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 Company 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
- (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.

<u>Date</u>	<u>Avonlea Loan Funds Received</u>	
April 20, 2023	\$	2,700
June 2, 2023	\$	313
December 6, 2023	\$	37
February 29, 2024	\$	1,250
May 3, 2024	\$	500
July 8, 2024	\$	200
July 31, 2024	\$	2,100
September 11, 2024	\$	300
September 30, 2024	\$	200
October 11, 2024	\$	1,000
November 29, 2024	\$	500

The AVI debt is secured by all the Company's assets and has priority over all other creditors.

## 7. DEBTS (continued)

As of December 31, 2024, the balance was \$9,945 (December 31, 2024 – \$3,050) and is included in short term debt.

See Subsequent Event Note 16 for further information regarding the extension of the AVI loan.

### *Promissory Note – August 31, 2024*

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 with four \$550 installment amounts to be paid every six months commencing August 31, 2024, maturing by August 31, 2026. These installment amounts are subject to a downward adjustment on a dollar-for-dollar basis to the extent that the subsequent revenues are less than the base revenue at the time of acquisition. The promissory note is secured by the purchased assets of the company and all its products and related proceeds. The Company valued the promissory note at \$1,084 using a market rate of 10.6% to represent the fair value of similar stand-loan debt instruments. The promissory note incurs 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 of \$550 on a semi-annual basis to which interest is payable monthly. As of December 31, 2024, the balance was \$1,091 (December 31, 2023 – nil), of which \$989 was included in short term debts and a balance of \$102 (December 31, 2023 – nil) was included in long term debts.

### *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 December 31, 2024, the balance was \$nil (December 31, 2023 - \$339).

### *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 using an imputed interest rate similar to a Small Business Administration (“SBA”) loan, which as of December 31, 2023 was 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.

**KOVO+ HOLDINGS INC.****NOTES TO THE AUDITED ANNUAL CONSOLIDATED FINANCIAL STATEMENTS**

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

**7. DEBTS (continued)**

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 \$79 in interest expense during the year ended December 31, 2024 (December 31, 2022 - \$80). As of December 31, 2024, the balance was \$1,977 (December 31, 2023 - \$2,016), of which \$41 was included in short term debt and \$1,936 included in long term debt.

*Healthcell Promissory Note*

On February 1, 2023, the Company received an unsecured 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 December 31, 2024, the outstanding balance was \$250 (December 31, 2023 – \$250), and included in long term debts.

*AccelVue Promissory Note*

On October 10, 2024, the Company received an unsecured, 10% annual interest-bearing promissory note as part of the asset purchase agreement for AccelVue (*Note 6*) in the amount of \$57 with a two-year term. The Company is to make one payment including both principal and accumulated interest at the maturity date of October 10, 2026. As of December 31, 2024, the outstanding balance was \$58 (December 31, 2023 – nil), included in long term debts.

Scheduled repayments of all debt on an undiscounted basis are as follows:

	\$
0 to 1 year	11,794
1 to 2 years	497
3 to 5 years	355
Thereafter	2,714
Less: effective interest	(2,039)
	13,321

**8. LEASE LIABILITIES**

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

	December 31 2024	December 31 2023
Beginning balance as of January 1	\$ 259	\$ 240
Additions	-	190
Lease modification	-	(20)
Payment of lease obligations	(172)	(188)
Interest expense on lease obligations	21	37
Ending Balance as of December 31	\$ 108	\$ 259

**8. LEASE LIABILITIES** (continue)

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

	December 31 2024	December 31 2023
Maturity analysis – contractual undiscounted cash flows		
Less than one year	\$ 68	\$ 171
One to five years	53	120
More than five years	-	-
<b>Total undiscounted lease obligations</b>	<b>\$ 121</b>	<b>\$ 291</b>
Lease obligations	\$ 108	\$ 259
Current portion	\$ 58	\$ 151
Non-current portion	\$ 50	\$ 108

As of December 31, 2024, the Company has one active lease agreement used for an office space, which 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 11.3% (2023 – 10.9%).

The Company also has one additional lease for a data centre with lease terms of 12 months or less and two low value office leases with the lease term ending on October 31, 2027 and July 31, 2025, with a one-year extension. The Company applies the ‘short-term lease’ and ‘lease of low-value assets’ recognition exemptions for these leases. The expenses relating to the short-term and low-value leases were \$18 (2023 – \$13).

**9. SHARE CAPITAL***Common Shares*

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

As at December 31, 2024, the Company had 133,131,711 common shares outstanding (December 31, 2023 – 57,543,906 common shares outstanding).

For the year ended December 31, 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 \$0.025 (CDN \$0.035) and 4,863,861 common shares were issued at a deemed issue price per common share equal to \$0.036 (CDN \$0.05).

On October 10, 2024, the Company issued 13,180,038 common shares as part of the asset purchase agreement for AccelVue (*Note 6*). Issuing 13,180,038 common shares were at a deemed issue price per common share equal to \$0.036 (CDN \$0.05).

**KOVO+ HOLDINGS INC.****NOTES TO THE AUDITED ANNUAL CONSOLIDATED FINANCIAL STATEMENTS**

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

**9. SHARE CAPITAL** (continued)For the year ended December 31, 2023:

The Company issued 17,600,000 units on April 20, 2023 which consisted of 1 common share and one-half a warrant. The common shares were valued at \$0.17 each (CAD\$0.23) and the warrants were valued at \$0.01 (CAD\$0.02) each. The warrants are exercisable to acquire an additional Common Share at \$0.30 (CAD\$0.40) for a period of twenty-four months following April 20, 2023. Additionally, as part of the financing, the Company incurred share issuance costs totaling \$51. The Company proportionately allocated \$2,984 to common shares and \$233 to warrants.

On April 26, 2023, the Company issued 1,389,706 RSUs, which vested immediately at a quoted price of \$0.13 (CAD\$0.17) per RSU.

*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 exercise price \$</b>
As at December 31, 2023	3,135,882	0.33
Forfeited	(390,196)	0.47
Outstanding as at December 31, 2024	2,745,686	0.30
Exercisable as at December 31, 2024	2,720,686	0.29

	<b>Number of options</b>	<b>Weighted average exercise price \$</b>
As at December 31, 2022	3,249,980	0.32
Granted	25,000	0.12
Forfeited	(139,098)	0.28
Outstanding as at December 31, 2023	3,135,882	0.33
Exercisable as at December 31, 2023	2,971,338	0.31

**KOVO+ HOLDINGS INC.**

**NOTES TO THE AUDITED ANNUAL CONSOLIDATED FINANCIAL STATEMENTS**

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

**9. SHARE CAPITAL** (continued)

As of December 31, 2024, the Company had the following stock options outstanding:

Exercise Price	Number of options outstanding	Weighted average remaining life (months)
\$ 0.15	2,040,686	2
\$ 0.62	500,000	18
\$ 0.73	105,000	75
\$ 0.31	100,000	85
	2,745,686	11

During the year ended December 31, 2024, the Company issued nil options (December 31, 2023 – 25,000 options to an employee) and recorded \$30 (December 31, 2023 - \$244) in share-based compensation.

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 years ended December 31, 2024 and 2023:

Issuance Date	May 16, 2023
Exercise price	\$0.12
Expected life (months)	48
Expected volatility	78.2%
Dividend rate	0.00%
Risk-free interest rate	3.53%
Grant date fair value	\$0.07

*Warrants*

A summary of all warrants issued is as follows:

	Warrants Outstanding	Weighted average exercise price \$	Fair Value \$
Balance, December 31, 2022	5,614,136	0.774	
Expired	(333,630)	1.089	0.09
Issued	8,800,000	0.295	0.03
Balance, December 31, 2023	14,080,506	0.467	
Expired	(3,146,563)	0.565	
Balance, December 31, 2024	10,933,943	0.306	

As of December 31, 2024, the weighted average remaining life of the warrants is 8 months (December 31, 2023 – 20 months).

On April 20, 2023, the Company issued 8,800,000 warrants as part of the unit offering. All warrants were valued using the Black Scholes valuation model with the following assumptions: expected volatility of 78.2%; expected dividend yield of 0%; risk-free interest rate of 3.53%; exercise price of \$0.30.

**9. SHARE CAPITAL** (continued)

As of December 31, 2024, the Company has 4,595,071 Restricted Share Unit (“RSU”) outstanding (December 31, 2023 – 4,595,071). No RSU’s have been granted during the 2024 year and 1,389,706 RSU’s were granted in 2023.

**10. GENERAL AND ADMINISTRATIVE EXPENSES**

General and administrative expenses for the years ended December 31, 2024 and 2023:

	<b>For the years ended</b>	
	<b>December 31, 2024</b>	<b>December 31, 2023</b>
	\$	\$
Professional expenses	2,028	1,800
Software & IT	401	315
Public company expenses	351	340
Office expenses	633	520
Processing fees	643	722
Other general and administrative	77	150
<b>General and administrative expenses</b>	<b>4,133</b>	<b>3,847</b>

**11. 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 years ended</b>	
	<b>December 31, 2024</b>	<b>December 31, 2023</b>
Basic weighted average number of shares outstanding - opening balance	57,543,906	39,943,906
Issuances of shares for Avonlea Debt Conversion	28,553,691	-
Issuances of shares for AccelVue acquisition	2,997,105	-
Issuances of shares for E&A acquisition	-	12,344,110
Basic weighted average number of shares outstanding - ending balance	89,094,702	52,288,016
Diluted weighted average number of shares outstanding	89,094,702	52,288,016
Net loss for the period	\$ (5,867)	\$ (4,684)
Weighted average basic and diluted loss per share	\$ <b>(0.07)</b>	\$ <b>(0.09)</b>

**12. INCOME TAXES**

The combined tax rate reflects the federal and state tax rates for the applicable years. A reconciliation of the combined tax rate to the Company's effective rate of income tax is as follows:

	<b>For the years ended</b>	
	<b>December 31, 2024</b>	<b>December 31, 2023</b>
	<b>\$</b>	<b>\$</b>
Net loss before recovery of income taxes	(6,241)	(4,721)
Combined tax rate	27%	27%
Expected income tax recovery	(1,685)	(1,275)
Tax rate changes and other adjustments	(54)	180
Share based compensation and other non-deductible expenses	20	68
Adjustments in respect of prior periods	(54)	89
Property, plant & equipment, intangible assets and others	399	129
Change in tax benefits not recognized	1,000	772
<b>Income tax (recovery)</b>	<b>(374)</b>	<b>(37)</b>

	<b>For the years ended</b>	
	<b>December 31, 2024</b>	<b>December 31, 2023</b>
	<b>\$</b>	<b>\$</b>
Current tax expense (recovery)	-	-
Deferred tax expense (recovery)	(374)	(37)
<b>Total tax expense (recovery)</b>	<b>(374)</b>	<b>(37)</b>

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax values. Details of deferred tax assets (liabilities) are as follows:

	<b>For the years ended</b>	
	<b>December 31, 2024</b>	<b>December 31, 2023</b>
	<b>\$</b>	<b>\$</b>
Lease liabilities	28	63
Operating tax losses (applied) carried forward	(2)	6
Right of use assets	(1)	(69)
Goodwill and intangibles	(25)	(374)
<b>Net deferred tax assets (liabilities)</b>	<b>-</b>	<b>(374)</b>

**12. INCOME TAXES** (continued)

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.

<u>Movements in net deferred tax liabilities:</u>	<b>For the years ended</b>	
	<b>December 31, 2024</b>	<b>December 31, 2023</b>
	\$	\$
Balance at the beginning of the year	(374)	-
Recognized in net loss	374	37
Goodwill	-	(411)
<b>Total unrecognized deductible temporary differences</b>	<b>-</b>	<b>(374)</b>

The unrecognized deductible temporary differences as at December 31, 2024 and 2023 is comprised of the following:

	<b>For the years ended</b>	
	<b>December 31, 2024</b>	<b>December 31, 2023</b>
	\$	\$
Goodwill and intangibles	(26)	490
Reserves	83	83
Operating tax losses carried forward - CAN	3,355	2,406
Operating tax losses carried forward - US	10,031	6,089
Lease obligation	9	-
<b>Total unrecognized deductible temporary differences</b>	<b>13,452</b>	<b>9,068</b>

The Company's operating tax losses expire as follows:

	<b>Canada losses</b>	<b>US losses</b>
Expiry		
2037	-	300
2038	-	-
2039	-	-
2040	91	-
2041	686	-
2042	195	-
2043	700	-
2044	1,683	-
No expiry	-	9,731
<b>Total</b>	<b>3,355</b>	<b>10,031</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.

**13. RELATED PARTY BALANCES AND TRANSACTIONS** (Continued)

For the year ended December 31, 2024 and 2023, key management personnel compensation comprising of salaries and share based compensation:

	2024	2023
	\$	\$
Key management personnel compensation		
Directors	202	42
Executives	259	-
Former executives	1,158	913
Share based compensation		
Directors	-	-
Executives	5	-
Former executives	-	177
<b>Total</b>	<b>1,624</b>	<b>1,132</b>

Included in accounts payable and accrued liabilities, was a balance of \$180 (December 31, 2023 - \$150) owing to key management personnel.

**14. CONTINGENCIES**

From time to time, the Company may be involved in various litigation matters, which arise in the ordinary course of business. As at December 31, 2024, there are two legal proceedings relating to client disputes that management believes will have a material impact on the consolidated financial position of the Company. Based on the advice of legal counsel and an assessment of the likely outcome, management has recognized a provision of \$100, representing the best estimate of the expenditure required to settle the obligations. In addition, there are two further legal claims from clients for which no provision has been recognized. After consideration of the facts and consultation with legal counsel, management has concluded that it is not probable that an outflow of resources will be required to settle these claims, and therefore no liability has been recognized. These claims continue to be monitored for any change in circumstances.

**15. ACQUISITIONS**

*Acquisitions completed during the year ended December 31, 2024*

**Acquisition of Healthcare Data Management**

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 \$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 average monthly interest rate for 2024 was 4.19%. 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 \$2,184 on the date of acquisition. Goodwill is attributable to the customer list, expected synergies, and other intangible assets that the Company has identified.

**15. ACQUISITIONS** (continued)

	<b>Total</b>
Cash Consideration	1,100
Promissory note	1,084
<b>Enterprise value</b>	<b>\$ 2,184</b>
<b>Allocation of purchase price</b>	
Customer relationships	1,200
Tradename	220
Goodwill	764
<b>Total allocation of purchase price</b>	<b>\$ 2,184</b>

HDM's results are consolidated in the Company's financial results effective August 31, 2024. For the period from August 31, 2024 through December 31, 2024, HDM contributed \$68 to the Company's consolidated operating income and to the total comprehensive income.

	For the period from August 31, 2024 to December 31, 2024
	\$
Revenue	647
Total comprehensive income for the period	68

If the combination had taken place at the beginning of the year, the following table provides summarized financial information for HDM's operations (pro forma unaudited) from January 1, 2024 to December 31, 2024:

	For the year ended December 31, 2024
	\$
Revenue	2,580
Total comprehensive income for the period	1,019

The pro forma unaudited results include estimates and assumptions which management believes are reasonable. The pro forma results do not include any cost savings or other effects of the planned integration of these entities and may not be fully indicative of the results that would have occurred if the business combination had been in effect on the dates indicated.

*Acquisitions completed during the year ended December 31, 2023***Acquisition of E&A Medical Billing**

On April 20, 2023, Kovo completed the acquisition of E&A Medical Billing ("E&A" or the "Seller"). Under the terms of the acquisition, Kovo paid to the Seller cash consideration of \$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 \$2,700 on the date of acquisition. Goodwill is attributable to the customer list, expected synergies, and other intangible assets that the Company has identified.

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

**15. ACQUISITIONS (continued)**

	<b>Total</b>
Cash Consideration	2,700
<b>Enterprise value</b>	<b>\$ 2,700</b>
<b>Allocation of purchase price</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>

E&A's results are consolidated in the Company's financial results effective April 20, 2023. For the period from April 20, 2023 through December 31, 2023, E&A contributed \$634 to the Company's consolidated operating income and to the total comprehensive income.

	For the period from April 20, 2023 to December 31, 2023
	\$
Revenue	2,231
Total comprehensive income for the period	634

If the combination had taken place at the beginning of the year, the following table provides summarized financial information for E&A's operations (unaudited) from January 1, 2023 to December 31, 2023:

	For the year ended December 31, 2023
	\$
Revenue	2,948
Total comprehensive income for the period	833

The pro forma unaudited results include estimates and assumptions which management believes are reasonable. The pro forma results do not include any cost savings or other effects of the planned integration of these entities and may not be fully indicative of the results that would have occurred if the business combination had been in effect on the dates indicated.

**Acquisition of Kairos Billing Solutions**

On June 6, 2023, Kovo completed the acquisition of net assets of Kairos Billing Solutions ("Kairos" or the "Seller"). Under the terms of the acquisition, Kovo paid to the Seller cash consideration of \$150.

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.

KOVO+ HOLDINGS INC.

NOTES TO THE AUDITED ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

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

15. ACQUISITIONS (continued)

	<b>Total</b>
Cash Consideration	150
<b>Enterprise value</b>	<b>\$ 150</b>
<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 year ended December 31, 2023, Kairos contributed \$4 to the Company's consolidated operating income and to the total comprehensive income.

	For the period from June 6, 2023 to December 31, 2023
	\$
Revenue	363
Total comprehensive loss for the period	4

If the combination had taken place at the beginning of the year, the following table provides summarized financial information for Kairos operations (unaudited) from January 1, 2023 to December 31, 2023:

	For the year ended December 31, 2023
	\$
Revenue	611
Total comprehensive income for the period	6

The pro forma unaudited results include estimates and assumptions which management believes are reasonable. The pro forma results do not include any cost savings or other effects of the planned integration of these entities and may not be fully indicative of the results that would have occurred if the business combination had been in effect on the dates indicated.

## **16. SUBSEQUENT EVENTS**

Subsequent to the year ended December 31, 2024, but prior to the release of these consolidated financial statements, the following events occurred:

### **Kovo+ Completes Private Placement**

On February 6, 2025, the Company closed its non-brokered private placement of units ("Units"), whereby it issued 43,759,013 Units at a price of \$0.035 (CDN \$0.05) per Unit for aggregate gross proceeds of \$1,509 (CDN \$2,188) (the "Concurrent Offering"). Insiders purchased 39,453,418 units and non-insiders purchased 4,305,595 units with gross proceeds of \$150 (CDN \$215) and \$1,359 (CDN \$1,973), respectfully.

Under the Concurrent Offering, each Unit consisted of one common share in the capital of the Company ("Common Share") and one-half of one non-transferable common share purchase warrant (a "Warrant"). Each whole Warrant entitles the holder thereof to purchase one Common Share at a price of CDN \$0.10 for a period of twenty-four months following the date of issuance. Closing of the Concurrent Offering was approved by the TSX Venture Exchange ("TSXV"), and all of the securities issued under the Concurrent Offering are subject to a four-month and one-day statutory hold period. The Company intends to use the proceeds of the Concurrent Offering as more specifically described in the Offering Document and for general corporate and working capital purposes.

As part of the Private Placement, the Company issued \$50 in common shares to HEAL USA Corp. as part of the LOI to purchase the AccelVue assets.

### **Warrant Extension**

On April 9, 2025, the Company announces that the TSXV has approved the extension of the expiry date of an aggregate of 8,800,000 Warrants by three years to April 20, 2028. These Warrants were issued pursuant to private placement, which closed on April 20, 2023, and all other terms and conditions of the Warrants remain unchanged, including the original exercise price of CDN \$0.40 per Common Share.

### **New Related Party Company**

As of January 1, 2025, HEAL USA Inc. is deemed a related party as it was acquired by Integrated Health Technology Inc. which is owned by AVI. Kovo purchased the rights to acquire the AccelVue assets from HEAL USA Inc. Refer to Note 6 Intangible Assets and Goodwill for additional information on the AccelVue purchase.

### **Amendment to Executive Chairman Promissory Note**

On April 28, 2025, the Company amended the terms of its secured promissory note receivable with the Executive Chairman. The maturity date was extended to April 30, 2030, and the note bears interest at 4% per annum, with principal and interest payments due quarterly. Prior to the issuance of the consolidated financial statements, the Company received a payment of \$25 against the outstanding balance.