MANAGEMENT'S DISCUSSION AND ANALYSIS

OF

KOVO+ HOLDINGS INC.
(FORMERLY KOVO HEALTHTECH CORPORATION)

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

DATED APRIL 30, 2025

Management Discussion and Analysis (“MD&A”)

This Management’s Discussion & Analysis for the years ended December 31, 2024 and 2023, was prepared as of April 30, 2025, constitutes management’s review of the factors that affected the Corporation’s financial and operating performance for the period and guidance related to certain performance criteria subsequent to the year end. This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the audited consolidated financial statements of the Corporation for the years ended December 31, 2024 and 2023 (“Consolidated Financial Statements”) together with the notes thereto. Results are reported in thousands of US dollars, unless otherwise noted. The Corporation’s audited annual consolidated financial statements and the financial information contained in this MD&A were prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board and interpretations of the IFRS Interpretations Committee.

For more detailed information regarding certain forward-looking statements contained herein, please see the note regarding “Forward-looking Statements.” The results of the operations, business prospects and financial condition of the Company will be affected by, among others, the risk factors set out in the note regarding “Risks and uncertainties.” Additional information about the Company, including the Company’s other public filings, can be found under the Company’s profile on SEDAR+ at www.sedarplus.ca. The Company’s Shares are listed for trading on the TSXV under the symbol “KOVO”.

Forward-Looking Statements

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

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

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

Overview

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

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

Kovo's vision is to enhance the experience for healthcare professionals across the North American healthcare industry by utilizing technology-driven solutions and advancing towards the implementation of artificial intelligence ("AI") to further optimize Kovo's established revenue cycle management capabilities.

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

The first Cash Generating Unit ("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.

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

Technology-enabled revenue cycle management:

1. Comprehensive Revenue Cycle Management Services:

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

2. Medical Coding and Credentialing Services:

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

3. Healthcare Claims Clearinghouse:

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

4. Practice Management Software:

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

5. Business Intelligence and Healthcare Analytics:

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

6. Customized Technology Solutions:

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

Implementing Artificial intelligence ("AI") Automation

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

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

Overall, AI tool sets can revolutionizes healthcare operations and improve financial performance while enhancing patient care and outcomes. With our deep understanding of the RCM marketplace, we are preparing to introduce AI tools to our current customers. These tools are designed to help accelerate their business growth and reduce our operational costs once deployed.

AI Enabled RCM and Billing: A planned initiative focused on the creation and future implementation of AI solutions for Practice Management and Revenue Cycle Management. The development and rollout of these AI tools will follow a four-stage roadmap.

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

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

Stage 3: Focuses on RCM tasks through improvements for larger automated data processing ("ADP") and open practice systems and consolidating multiple family member bills into a single statement.

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

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

Healthcare IT professional services & staffing:

1. Comprehensive Professional Services:

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

2. Strategic Advisory Services:

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

3. Workforce Augmentation and On-Demand Staffing:

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

Outlook

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

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

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

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

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

The Company's acquisition strategy requires the onboarding of new acquisitions which takes time to fully bring the new operations into line with our long-term earnings performance. This process is common when acquiring companies during which working capital is required to invest into the acquisitions, best practices are instilled, and functionality is streamlined from a corporate level.

Financial Highlights

The Company’s current highlights for the 2024 year include:

1. Completed the acquisition for 100% of the assets of Healthcare Data Management (“HDM”), an RCM business operating out of Maryland. See Note 15 in the Consolidated Financial Statements for more information.
2. Avonlea Ventures #2 Inc. (“AVI”) converted $1,657 (CDN $2,257) in debt to common shares.
3. The Company received eight tranches of funding under the senior loan and security agreement with AVI aggregating to $6,050 for the year ended December 31, 2024.
4. Retained services of Hybrid Financial Ltd. to provide Institutional and Capital Markets consulting services to the Corporation for a six-month engagement period commencing September 1, 2024.
5. The Company completed Asset Purchase Agreement for Right to Acquire Assets of AccelVue. See Note 6 in the Consolidated Financial Statements for additional information.
6. The Company changed its name from “Kovo HealthTech Corporation” to “Kovo+ Holdings Inc.” (the "Name Change").
7. Subsequent to year end, the Company received funds in the amount of $1,509 (CDN $2,188) as part of the non-brokered private placement, whereby the Company issued 43,759,013 common shares. Refer to Note 16 in the Consolidated Financial Statements for additional information.

SELECTED QUARTERLY INFORMATION

	2023				2024			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Revenue	$ 1,930	$ 2,631	$ 2,732	$ 2,722	$ 2,656	$ 2,685	$ 2,382	$ 2,838
Loss from Operations	$ (784)	$ (594)	$ (654)	$ (1,492)	$ (754)	$ (166)	$ (1,136)	$ (1,187)
Weighted Avg Shares	39,943,906	53,869,181	57,543,906	57,543,906	57,543,906	57,543,906	108,419,803	131,842,359
Weighted Avg Diluted Shares	39,943,906	53,869,181	57,543,906	57,543,906	57,543,906	57,543,906	108,419,803	131,842,359
Total Income/(Loss)	$ (858)	$ (1,314)	$ (797)	$ (1,715)	$ (2,155)	$ (799)	$ (1,494)	$ (1,419)
Weighted Avg Basic and Diluted Shares	39,943,906	53,869,181	57,543,906	57,543,906	57,543,906	57,543,906	108,419,803	131,842,359
Earnings per Basic and Diluted	$ (0.02)	$ (0.02)	$ (0.01)	$ (0.03)	$ (0.04)	$ (0.01)	$ (0.01)	$ (0.01)
EBITDA	$ (535)	$ (984)	$ (449)	$ (1,367)	$ (1,391)	$ 7	$ (719)	$ (990)
ADJUSTED EBITDA	$ (506)	$ (200)	$ (432)	$ (1,323)	$ (515)	$ 76	$ (540)	$ (757)

Q4 2024 revenue increased to $2,838 from $2,382 in Q3 2024. The increase up to 19% in quarterly revenues is due to the current revenue figures primarily from the newly acquired Healthcare Data Management (“HDM”) on August 31, 2024, the HDM acquisition increased Q4 2024 revenues by $647. Year-over-year (“YoY”) revenue has increased in Q4 2024 compared to Q4 2023 as the current quarterly figures include results of the newly acquired HDM company.

Q4 2024 operating loss increased to $1,187 from $1,136 in Q3 2024. The increase by 4.5% is primarily due to the $328 increase in general & administrative expenses and $189 increase in salaries & benefits offset by offset by the $456 increase in Q4 2024 revenues. The year over year operating loss has decreased in Q4 2024 compared to Q4 2023 due to prior year prior executive settlement in Q4 2023.

Q4 2024 total loss decreased to $1,419 from $1,494 in Q3 2024. The decrease by 5% is driven by the $200 decrease other expenses offset by the increase in $51 operating loss, $41 increase in interest expense. Year-over-year total loss has decreased in Q4 2024 compared to Q4 2023 due to the loss from prior executive settlement in prior year accrued in Q4 2023 and the Q4 2024 profits earned from the newly acquired HDM company. These two factors are the most significant contributions to the reduced Q4 2024 total loss compared to Q3 2023 total loss.

SELECTED ANNUAL INFORMATION

The following table summarizes the Company's recent results of operations for the periods indicated. The selected consolidated financial information set out below have been derived from the Company's audited consolidated financial statements and related notes.

	2024(1) $	2023(2) $	2022(3) $
Total revenue	10,561	10,015	10,856
Net operating loss	(3,243)	(3,524)	(791)
Net loss	(5,867)	(4,684)	(250)
Loss per share	(0.07)	(0.09)	(0.006)
Total assets	11,370	9,257	6,934
Total non-current liabilities	2,396	2,709	4,006
Cash dividends declared	-	-	-

Notes:

(1) Total Revenues in 2024 have increased due to the HDM acquisition on August 31, 2024, compared to year 2023. The operating loss has improved due to a department restructuring effort during the year. Furthermore, prior year operating loss includes a legal claim for prior executive settlement that was not included in 2024. Net loss has increased in 2024 compared to 2023 mainly due to the increase in interest expense as the Company received $6,050 in additional debt funding from AVI and the AVI forbearance fees negatively impacted the Company's Net Loss. Total assets increased in 2024 compared to 2023 due to the intangible assets and related goodwill from the HDM acquisition. Non-current liabilities remained relatively unchanged with the decrease from 2023 due to the deferred tax liability recovery realized in 2024.

(2) Total revenues decreased in 2023 compared to 2022 due to the attrition of a few significant clients. The operating loss increased in 2023 compared to 2022 due to the combination of decrease in revenue and the increase in professional fees from legal disputes. Net loss has increased due to the increase in interest expense from the $3,050 in funding received from AVI debt. The increase in Total Assets is mainly due to intangible assets and related goodwill for the E&A and Kairos acquisitions. Non-current liabilities decreased in 2023 in comparison to 2022 due to the extinguishment of prior long-term debt which was replaced with the AVI debt which is classified as short-term debt.

(3) Total revenues in 2022 include client billings from the previous acquisitions (RPM, Midwest, and Cvikota) to which some of the large clients retired in 2023. The net loss in was minimal in 2022, due to payroll and general & administrative expenses being lower than subsequent years. Total Assets in 2022 only includes intangible assets and goodwill for RPM, Midwest, and Cvikota acquisitions as well as capitalized costs for software projects. Total non-current liabilities primarily consists of long-term debt.

Financial Performance

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

Revenue Analysis

The Company generates revenue through six distinct streams:

1. Recurring Revenue from Revenue Cycle Management Services
2. Recurring licensing revenue from Inpatient systems
3. Recurring SaaS revenue for Ambulatory software and eHealth software
4. Recurring revenue from Credentialing Services
5. Recurring revenue from Hourly Services

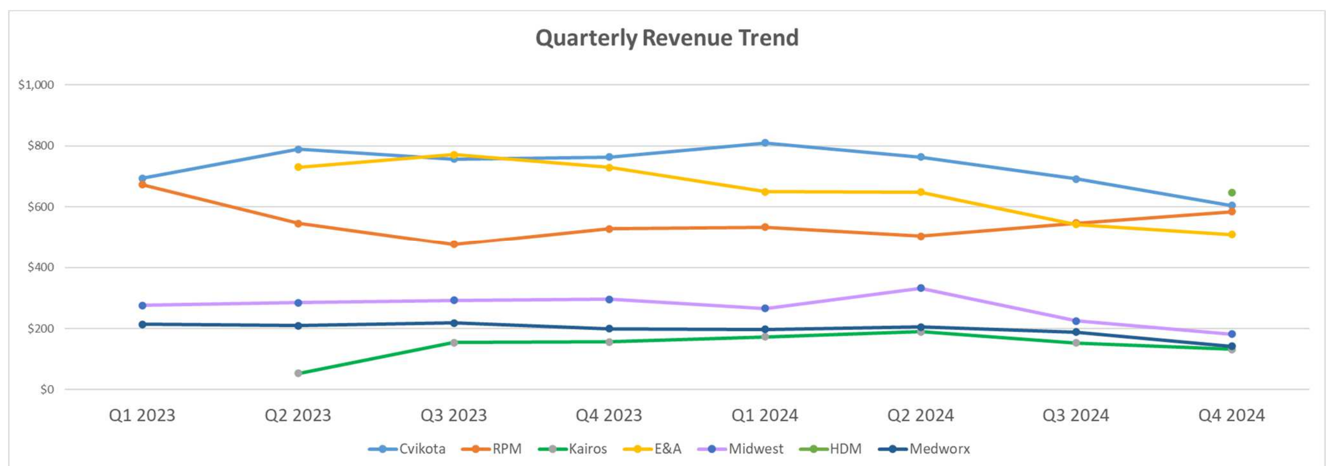
[1] Non-GAAP measure. Earnings before interest, taxes, depreciation, and amortization ("EBITDA") and Adjusted EBITDA should not be construed as alternatives to net income/loss determined in accordance with IFRS. EBITDA and Adjusted EBITDA do not have any standardized meaning under IFRS and therefore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

6. Recurring revenue from associated services for our products (Including electronic claim process, eligibility for reimbursement verifications, and electronic remittance advice)

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

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

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



Medworx Inc. averages $197 in revenues per quarter with a -5.2% average change in quarterly revenues over the past eight quarters. This subsidiary's Q4 2024 revenues aggregate to $142k which is below the average quarterly revenues due to the drop off the one IP transfer agreement coming to term in Q4 2024.

Midwest averages $269 in revenues per quarter with a -4.2% average change in quarterly revenues over the past eight quarters. This subsidiary's Q4 2024 revenues aggregate to $181 which is below the average quarterly revenues due to the retirement of one long term client.

Cvikota averages $734 in revenues per quarter with a -1.6% average change in quarterly revenues over the past eight quarters. This subsidiary's Q4 2024 revenues aggregate to $604 which is below the average quarterly revenues due to a lower volume of medical billings during the quarter.

RPM averages $549 in revenues per quarter with a -1.4% average change in quarterly revenues over the past eight quarters or a +2.7% change in quarterly revenues over the past four quarters. This subsidiary's Q4 2024 revenues aggregate to $585 which is above the average. This is due to higher billing volumes in the quarter.

E&A averages $654 in revenues per quarter with a -5.6% average change in quarterly revenues over the past seven quarters since the acquisition. This subsidiary's Q4 2024 revenues aggregated to $509 which is below the average quarterly revenues due to the retirement of three clients throughout 2024.

Kairos averages $159 in revenues per quarter with a -2.3% average change in quarterly revenues over the past five quarters since the acquisition. This subsidiary's Q4 2024 revenues aggregated to $132 which is below the average quarterly revenues due to a lower volume of medical billings.

HDM was acquired on August 31, 2024 to which the first full quarter of billings was in Q4 2024. HDM completed its first quarter with $647 in revenues which is consistent with managements expectation.

The Company's consolidated 2024 revenues increased to $10,561 from $10,015 in the prior year 2023. The adverse impact driven by Change Healthcare going offline in Q1 2024 has been normalized and any delays in revenues were temporary. Year-over-year ("YoY") revenue is higher in 2024 compared to 2023 due to the HDM acquisition.

Cost Structure and Analysis

Salaries and Benefits:

The marginal 0.8% increase in 2024 salaries and benefits for the year ended December 31, 2024 at $8,720 (compared to the year ended December 31, 2023 – $8,655) is consistent with the increase in the size of the Company through the HDM acquisition and offset by the companies restructuring efforts. In 2024, the Company undertook an operational restructuring initiative aimed at reducing redundancies across accounting, human resources, sales, and IT functions. This restructuring resulted in cost savings of $191 during 2024. These savings, attributable to reductions in payroll, are expected to improve operating margins and enhance profitability in future periods as well. The increase in salaries and benefits is at a significantly lower proportion compared to the year over year increase in revenues at 5.5%.

General and Administrative costs:

The increase in 2024 operating costs for the year ended December 31, 2024, is due to general and administrative costs at $4,133 (for the year ended December 31, 2023 – $3,847) due to a combination of transactions including a $60 broker fee for HDM acquisition, $100k legal claims from client disputes, and board consulting fees of $168.

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

	For the three months ended		For the years ended	
	December 31, 2024 $	December 31, 2023 $	December 31, 2024 $	December 31, 2023 $
Professional expenses	762	936	2,028	1,800
Software & IT	102	65	401	315
Public company expenses	120	114	351	340
Office expenses	241	157	633	520
Processing fees	314	371	643	722
Other general and administrative	26	50	77	150
General and administrative expense	**1,565**	**1,693**	**4,133**	**3,847**

Share-based compensation:

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

The decrease of non-cash stock-based compensation expense for the three and twelve months ended December 31, 2024 of $1 and $30 (for the year ended December 31, 2023 - $1 and $244) is due to the Company not issuing any stock options or RSU's during 2024.

Depreciation and Amortization:

Depreciation and Amortization expense is charged using the straight-line method over the estimated useful lives of the assets. Depreciation and amortization for three and twelve months ended December 31, 2024 of $236 and $921 (for the three and twelve months ended December 31, 2023 - $247 and $793). The increase in Depreciation in 2024

is driven by the customer listing and trade name additions as part of the HDM acquisition. Depreciated assets during 2024 relate to intangible assets, right-of-use assets and property and equipment.

Interest Expense and Interest Income:

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

Interest expense for the three and twelve months ended December 31, 2024 totaled $587 and $2,227 (for the year ended December 31, 2023 $138 and $593) which included $1,991 of interest related solely to the AVI debt, of which $567 is default interest incurred. The increase in the interest expense in 2024 is partly driven by the default interest on the AVI debt and the fact that the Company received an additional $6,050 in principal additions to the AVI loan throughout the 2024 year.

Other Expenses:

Other expenses for the year ended December 31, 2024 at $200 (for the year ended December 31, 2023 – $nil) relates to one-time payout for former Executives.

Financing Charges:

Financing charges for the three and twelve months ended December 31, 2024 at $40 and $629 (for year ended December 31, 2023 – $443 and $444). The financing charges relates to Avonlea debt forbearance agreement and the conversion transaction (Refer to Note 7 in the Consolidated Financial Statements for more information).

Other Income:

Other income for the three and twelve months ended December 31, 2024 at $1 and $58 (for year ended December 31, 2023 – $nil and $31). Other income of $57 relates to the Tech-Time debt settlement agreement (Refer to Note 7 in the Consolidated Financial Statements for more information).

Profitability Metrics

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

Net Loss and Comprehensive Loss for the three and twelve months ended December 31, 2024, totaled $1,439 and $5,867 (for the year ended December 31, 2023 - $1,715 and $4,684). The year over year decrease in net loss and comprehensive loss is driven by net other expenses which includes interest expense from AVI, executive severance, and financing charges, offset by an increase in revenues.

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

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

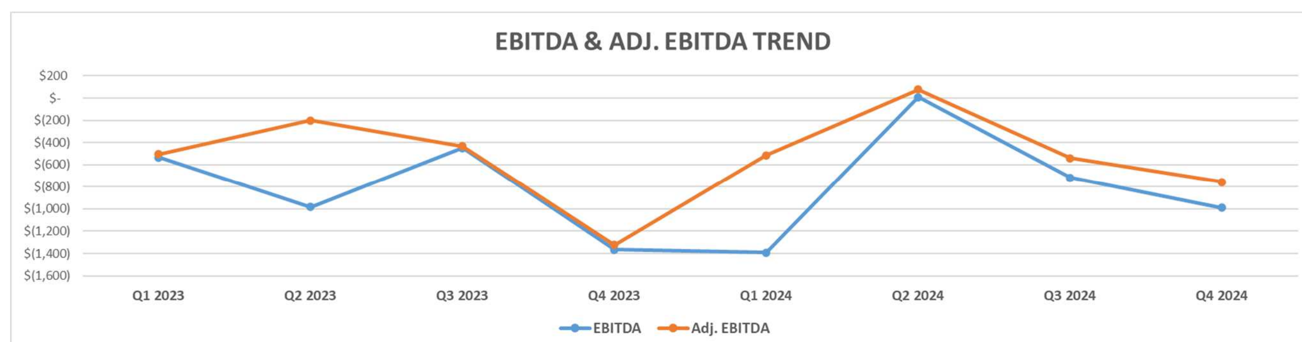
- Integration costs, such as severance amounts paid to employees from acquired businesses, and transaction costs, such as brokerage fees, pre-acquisition accounting costs and legal fees and exit costs related to contractual agreements;
- One-time costs incurred as part of an acquisition,
- Net loss on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

Below is a presentation of our adjusted EBITDA for the three and twelve months ended December 31, 2024 and 2023:

	For the three months ended			For the years ended
	December 31, 2024	December 31, 2023	December 31, 2024	December 31, 2023
	$	$	$	$
Net Loss	**(1,439)**	**(1,715)**	**(5,867)**	**(4,684)**
Add back:				
Interest	587	138	2,227	593
Deferred tax recovery	(374)	(37)	(374)	(37)
Depreciation and amortization	236	247	921	793
Total	449	348	2,774	1,349
EBITDA	**(990)**	**(1,367)**	**(3,093)**	**(3,335)**
Adjusted EBITDA				
Adjustments:				
Executive Severance	122	-	410	-
Professional fees for debt receipts	-	-	215	-
Brokerage Fees HDM Acquisition	-	-	60	-
Share based compensation	1	-	30	244
Financing expenses	40	-	629	191
Loss (Gain) on extinguishment of debt	-	32	(57)	427
Gain on lease cancellation	-	(11)	-	(11)
Legal settlement	70	23	70	23
Total	233	44	1,357	874
Adjusted EBITDA	**(757)**	**(1,323)**	**(1,736)**	**(2,461)**

The Company's EBITDA for the three and twelve months ended December 31, 2024 was a loss of $990 and $3,093 (for the three and twelve months ended December 31, 2023 EBITDA loss of $1,367 and $3,335). Adjusted EBITDA for the three and twelve months ended December 31, 2024 was a loss of $757 and $1,736 (for the three and twelve months ended December 31, 2023 loss of $1,323 and $2,461). The Adjusted EBITDA shows the normalized run rate of the operations excluding one-time charges that do not reflect the true operating run rate of the business.

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



The 2024 Adjusted EBITDA factors out non-recurring events such as $629 in forbearance and other fees related to Avonlea debt, $410 in severance payable to former Executives, $60 brokerage fee for the HDM acquisition, $70k for legal settlements, $215k for professional fees for debt and the $57 gain on extinguishment of Tech-Time debt.

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

Payroll Costs as a Percentage of Sales

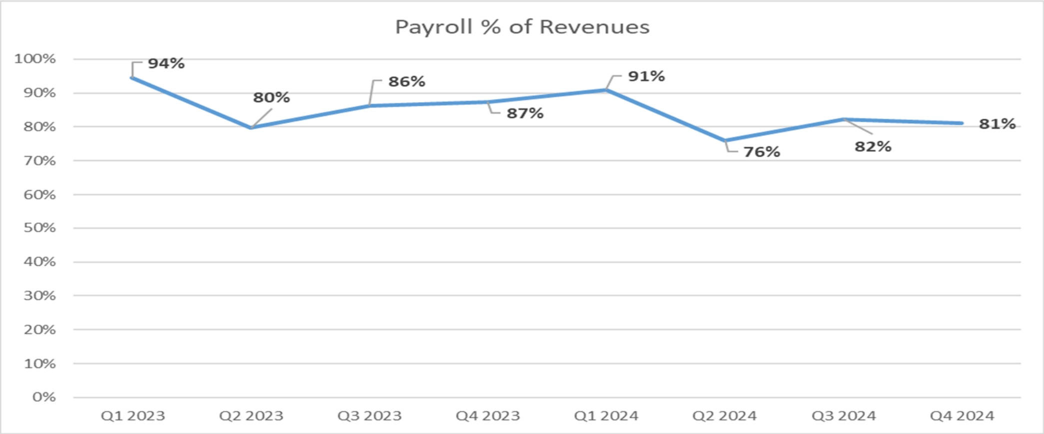
The Company monitors payroll as a percentage of revenues as one of its key financial profitability metrics due to Kovo's workforce being the main driver of sales and operations but also the source of its largest expenditure. To ensure the Company is on its way to achieving its profitability objectives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

With the Company's growth, operating costs have increased partly due to a higher overall headcount in personnel. As part of the Company's integration process, the Company reduces payroll costs post-acquisition.

In February 2024 the Company pivoted away from any further software development. The Company expected to return to more historical levels around 70% in 2025 with the reduction of its sales and marketing efforts, as well as restructuring in operation personnel to focusing further on its RCM initiatives. However, the Company has RCM clients retiring at the end of Q2 2024 which negatively impacted revenues. Even though payroll costs were flat quarter over quarter the decrease in Q3 2024 revenues has resulted in unfavorable payroll as a percentage of sales increasing to 82%. The payroll as a percentage of sales has remained stable from Q3 2024 to Q4 2024 at a rate of 81%

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

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



Financial Position

Total assets increased to $11,370 as of December 31, 2024 compared to $9,257 at December 31, 2023. Cash-on-hand increased to $305, intangible assets increased to $5,693 from $4,338 as at December 31, 2023 largely due to the intangibles obtained as part of the HDM acquisition. As of December 31, 2024, right of use assets decreased to $96 from $250 as of December 31, 2023 due to monthly amortization. No additions, disposal or other adjustments to right of use assets in 2024. Goodwill increased by $764 to $4,731 for the period ending December 31, 2024, due to the acquisition of HDM. Previously, Goodwill related to the purchase of RPM Medical Billing (May 2021), Midwest (July 2021), Cvikota (November 2021), E&A (April 2023) Kairos (June 2023). The Company believes the value of the assets is reasonable as sales volumes have met or exceeded forecast and this trend is expected to continue in subsequent quarters based on the updated ARR of $10,800 as of December 31, 2024.

Total liabilities increased to $15,364 as of December 31, 2024 from $9,556 on December 31, 2023. The increase is driven by additional funding received by the aggregate amount of $6,050 under the AVI senior debt agreement and a $1,084 promissory note payable as part of the HDM acquisition.

As at December 31, 2024, the Company had a working capital deficit of $12,128 (December 31, 2023 - $6,177) and an accumulated deficit of $16,810 (December 31, 2023 - $10,943). The Company has not yet achieved profitable operations and expects to incur further losses in the development of its businesses, prior to becoming profitable. These balances and the changes period over period indicate that there are material uncertainties that may cast significant doubt about the Company’s ability to continue as a going concern.

As of December 31, 2024, the Company had 133,131,711 common shares outstanding (December 31, 2023 – 57,543,906 common shares outstanding). Which includes transactions for the year ended December 31, 2024, common shares issued and outstanding for the AVI debt conversion. As of the reporting date the Company has 176,890,724 common shares outstanding which includes the non-brokered private placement (see Note 16 of the Consolidated Financial Statements for additional information).

	Number of common	Share capital	Contributed	Deficiency	Total
Balances as at December 31, 2022	**39,943,906**	**5,803**	**1,380**	**(6,259)**	**924**
Share-based compensation	-	-	244	-	244
Issuance of common shares	17,600,000	2,984	-	-	2,984
Warrants issued	-	-	233	-	233
Net loss and comprehensive loss	-	-	-	(4,684)	(4,684)
Balances as at December 31, 2023	**57,543,906**	**8,787**	**1,857**	**(10,943)**	**(299)**
Share-based compensation	-	-	30	-	30
Share issuance for debt conversion	62,407,767	1,657	-	-	1,657
Share issuance for AccelVue	13,180,038	485	-	-	485
Net loss and comprehensive loss	-	-	-	(5,867)	(5,867)
Balances as at December 31, 2024	**133,131,711**	**10,929**	**1,887**	**(16,810)**	**(3,994)**

The Company is authorized to issue an unlimited number of common shares at no par value. As of the date of this MD&A, there are 176,890,724 common shares issued and outstanding.

The following table outlines the issued and outstanding common shares and convertible instruments of the Company as of the date of this MD&A, December 31, 2024 and 2023. For further information and details concerning outstanding shares and equity instruments listed below, refer to the consolidated financial statements for the years ended December 31 2024 and 2023.

As at	**April 30, 2025**	**December 31, 2024**	**December 31, 2023**
Common shares	176,890,724	133,131,711	57,543,906
Warrants	32,813,449	10,933,943	14,080,506
Stock options	2,745,686	2,745,686	3,135,882
RSUs	4,595,071	4,595,071	4,595,071

For details relating to equity-based transactions subsequent to December 31, 2024, refer to the section Subsequent Events of the MD&A.

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

The stock option activity for the period were as follows:

	Number of options	Weighted average exercise price $
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

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

Accounting pronouncements

The accounting policies applied are consistent with the significant accounting policies used in the preparation of the audited annual consolidated financial statements for the year ended December 31, 2024.

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.

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.

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.

Critical accounting estimates

Estimates and key sources of estimate uncertainty

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

The estimates applied and key sources of estimate uncertainty are consistent with those used in the preparation of the audited annual consolidated financial statements for the year ended December 31, 2024.

Operating Results:

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

		For the years ended
	December 31, 2024	December 31, 2023
	$	$
Revenue		
RCM revenue	89.8%	87.5%
Inpatient systems	4.1%	4.7%
Software revenue	1.7%	2.0%
Credentialing Services	1.3%	2.0%
Ambulatory software	1.4%	1.8%
Hourly Services	1.7%	2.0%
Total revenue	**100.0%**	**100.0%**
Operating expenses		
Salaries and benefits	82.6%	86.4%
General and administrative	39.1%	38.4%
Share-based compensation	0.3%	2.4%
Depreciation and amortization	8.7%	7.9%
Total operating expenses	**130.7%**	**135.1%**
Net operating loss	**(30.7%)**	**(35.1%)**
Other income (expense)		
Interest expense	(21.1%)	(5.9%)
Other expense	(1.9%)	0.0%
Financing charges	(6.0%)	(4.4%)
Acquisition-related expenses	0.0%	(1.9%)
Other income	0.5%	0.3%
Net other expense	**(28.5%)**	**(11.9%)**
Net loss before income tax	(59.2%)	(47.0%)
Deferred tax recovery	3.5%	0.4%
Net loss and comprehensive loss	**(55.7%)**	**(46.6%)**

Comparison of the years ended December 31, 2024 and 2023:

	Three months ended December		Change		For the years ended		Change	
	2024	2023	Amount	Percent	2024	2023	Amount	Percent
RCM revenue	2,612	2,423	189	7.8%	9,487	8,767	720	8.2%
Inpatient systems	82	118	(36)	(30.5%)	429	471	(42)	(8.9%)
Software revenue	41	42	(1)	(2.4%)	177	196	(19)	(9.7%)
Credentialing Services	32	46	(14)	(30.4%)	139	203	(64)	(31.5%)
Ambulatory software	31	43	(12)	(27.9%)	149	178	(29)	(16.3%)
Hourly Services	40	50	(10)	(20.0%)	180	200	(20)	(10.0%)
Total revenue	**2,838**	**2,722**	**116**	**4.3%**	**10,561**	**10,015**	**546**	**5.5%**

Revenue of $10,561 for the year ended December 31, 2024, increased by $546 or 5.5% compared to the revenues of $10,015 for the year ended December 31, 2023. Revenue for the year ended December 31, 2024 includes $429 relating to inpatient systems, $177 relating to software services, $139 for credentialing services, $149 relating to ambulatory software, and $180 relating to hourly services. For the year ended December 31, 2024 revenues have increased due to the twelve months of revenues in 2024 from the E&A and Kairos acquisitions compared to only nine months of revenues from the E&A acquisition in 2023 and six months of revenues from the Kairos acquisitions in the 2023 year. Furthermore, the acquisition of HDM in 2024 has also contributed to the increase in revenues.

	Three months ended December		Change		For the years ended		Change	
	2024	2023	Amount	Percent	2024	2023	Amount	Percent
Salaries and benefits	2,230	2,378	(148)	(6.2%)	8,720	8,655	65	0.8%
General and administrative	1,565	1,693	(128)	(7.6%)	4,133	3,847	286	7.4%
Share-based compensation	1	1	-	0.0%	30	244	(214)	(87.7%)
Depreciation and amortization	236	247	(11)	(4.5%)	921	793	128	16.1%
Total operating expenses	**4,032**	**4,319**	**(287)**	**(6.6%)**	**13,804**	**13,539**	**265**	**2.0%**

Operating expenses were $13,804 for the year ended December 31, 2024, increased by $265 or 2.0% from operating expenses of $13,539 for the year ended December 31, 2023. Operating expenses for the year ended December 31, 2024 includes $8,720 relating to salaries and benefits, $4,133 relating to general and administrative expenses, $30 for share-based compensation, and $921 relating to depreciation and amortization. For the year ended December 31, 2024, the change in operating expenses is due to a combination a reduction in salaries and benefits due to the reduction in headcount from the operational restructuring offset by an increase in headcount and payroll through the HDM acquisition, and an increase in general and administrative costs by $60 broker fee for the HDM acquisition and $168 for board consulting fees.

	Three months ended December		Change		For the years ended		Change	
	2024	2023	Amount	Percent	2024	2023	Amount	Percent
Interest expense	(587)	(138)	(449)	325%	(2,227)	(593)	(1,634)	276%
Other expense	-	426	(426)	(100%)	(200)	-	(200)	0%
Financing charges	(40)	(445)	405	(91%)	(629)	(444)	(185)	42%
Acquisition-related expenses	-	-	-	0%	-	(191)	191	(100%)
Other income	1	-	1	100%	58	31	27	87%
Net other expense	**(626)**	**(157)**	**(469)**	**299%**	**(2,998)**	**(1,197)**	**(1,801)**	**150%**

Net other expenses were $2,998 for the year ended December 31, 2024, increased by $1,801 or 150% from net other expenses of $1,197 for the year ended December 31, 2023. Net other expenses for the year ended December 31, 2024 includes $1,991 relating to interest expense on the AVI debt, $200 relating to former Executive payout, $629 for financing charges to secure funding, and $57 of other income relating to gain on extinguishment of Tech Time debt.

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

Healthcare Data Management Acquisition ("HDM") Acquisition

On August 31, 2024, we completed the acquisition of the RCM business HDM, acquiring 100% of HDM's assets.

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.

	Total
Cash Consideration	1,100
Promissory note	1,084
Enterprise value	**$ 2,184**

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

HDM generated revenue (reported in accordance with GAAP) of $2,560 for the annual period commencing August 1, 2023 and ending July 31, 2024 (unaudited). In connection with the Acquisition, the Corporation paid finders fees in the amount of $60, representing 2% of the Purchase Price.

<u>Recognition of contingent considerations</u>

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.

Reconciliation of Non-IFRS Measures

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

evaluation of issuers. The Company's management also uses non-IFRS financial measures in order to facilitate operating performance comparisons from period to period.

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

"Adjusted EBITDA" adjusts EBITDA for goodwill or customer list impairment costs, equity and stock-based expenses, unrealized foreign exchange gains or losses, professional fees for debt receipts, brokerage fees, executive severance, acquisition and financing costs and recurring government loans that are eligible to be 100% forgiven by government mandate ("PPP Loans").

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

Liquidity and Capital Resources

As of December 31, 2024, the Company had total cash of $305 (December 31, 2023 – $102) and net working deficit of $12,128 (December 31, 2023 – $6,177). For the year ended December 31, 2024, cash used by operations was $3,984, cash used in investing activities was $1,240 offset by cash from financing activities of $5,427 resulting in an increase in cash of $203.

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

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

The accounts receivable of the business are typically collected in a 30-day period, with limited collectability risk. The Company uses cash flow from operations, equity raises, short term debt and long-term debt to fund operations. The Company manages its working capital needs and has sourced financing as needed. The Company's working capital can be impacted as noted in the Risks section by various factors. At this time the Company can generate sufficient cash from operating cash flows through prudent management of costs, particularly payroll costs relative to customer billings which are tracked monthly on a customer-by-customer basis. The Company has accessed debt and equity financing sources as appropriate to meet its working capital needs as noted in the statement of cash flows. See "Contractual Obligations" for further details on payments required over the next several years.
The Company does not have any significant capital expenditure commitments. Financing has been sourced through a combination of debt, equity, and government loans, as needed, to meet working capital requirements. The Company has also raised equity when appropriate to support the growth of its operations. The Company plans to continue executing its RCM acquisition strategy and will evaluate other potential business ventures; however, any such opportunities would be contingent on raising additional debt or equity financing, for which there can be no assurance that such financing will be available on favorable terms, or at all

Liquidity Position

	For the years ended	
	December 31, 2024	December 31, 2023
	$	$
OPERATING ACTIVITIES		
Net loss and comprehensive loss	(5,867)	(4,684)
Adjustments for non-cash items:		
Depreciation and amortization	921	793
Debt servicing costs	629	-
Interest expense	1,920	49
Accretion expense on lease liabilities	21	37
Share based compensation	30	244
Gain on lease modification	-	(11)
Loss (gain) from extinguishment of debt	(57)	427
Deferred tax recovery	(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)
Net cash used in operating activities	**(3,984)**	**(717)**
INVESTING ACTIVITIES		
Additions to intangible assets	(134)	(392)
Additions to property and equipment	(6)	(37)
Acquisition of HDM	(1,100)	-
Acquisition of E&A	-	(2,700)
Acquisition of Kairos	-	(150)
Receipts on notes receivable	-	7
Net cash used in investing activities	**(1,240)**	**(3,272)**
FINANCING ACTIVITIES		
Net receipts on debt	6,120	3,300
Net payments on debt	(521)	(2,930)
Proceeds from issuance of common shares, net of financing costs	-	3,217
Lease payments	(172)	(188)
Net cash from financing activities	**5,427**	**3,399**
Net Increase (decrease) in cash	203	(590)
Cash balance, beginning of period	102	692
Cash balance, end of period	**305**	**102**

Operating Activities

During the year ended December 31, 2024, the Company used a total of $3,984 cash on operating activities (for the year ended December 31, 2023 – $717) related to the net loss and comprehensive net loss and the decrease accounts payable balances. Cash used in operating activities was partly offset by higher non-cash expenses, including debt servicing cost, interest expense, depreciation and amortization offsets. For the year ended December 31, 2024, G&A expenses increased by $286 versus the year ended December 31, 2023. This increase is driven by $60 broker fees for the HDM acquisition and board member consulting fees at $168. The largest use of cash was for payroll, however, the increase to payroll in 2024 was relatively marginal at 1% compared to the increase in revenues at 5.5%. The Company paid down Accounts Payable and accrued liabilities balance throughout 2024, decreasing operating cash flows by $1,237

Investing Activities

During the years ended December 31, 2024, net cash used in investing activities amounted to $1,240 (for the year ended December 31, 2023 – $3,272). Cash used in investing activities related to additions to capitalized software costs of $134 (for the year ended December 31, 2023– $392) and the acquisition of HDM for $1,100.

Financing Activities

During the year ended December 31, 2024, net cash generated for financing activities totaled $5,427 (for the year ended December 31, 2023 - $3,399) of which $6,120 related to the receipt of additional funding.

Debt and Financing Arrangements

On April 20, 2023, the Company entered into a senior loan and security agreement with Avonlea Ventures #2 Inc. ("AV") to establish a credit facility, of which $9,945 has been authorized and drawn upon as of December 31, 2024. The Company used the funds from AV loan to repay other debt instruments. This improved capital structure will aid the Company in continuing to efficiently execute on its strategic initiatives.

Short Term Debt	Interest Rate	Principal Balance 12/31/2024		Interest Rate	Principal Balance 12/31/2023	
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
Short Term Debt/ Weighted Average Interest Rate	**11.27%**	**$**	**10,975**	**11.19%**	**$**	**3,524**

Long Term Debt	Interest Rate	Principal Balance 12/31/2024		Interest Rate	Principal Balance 12/31/2023	
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%	$	-
Long Term Debt/ Weighted Average Interest Rate	**4.38%**	**$**	**2,346**	**4.23%**	**$**	**2,227**
Total Debt/ Weighted Average Interest Rate	**10.05%**	**$**	**13,321**	**8.49%**	**$**	**5,751**
Weighted Average Interest Rate Increase for 100bp	**0.15%**			**0.02%**		

Use of Proceeds

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

Contractual Obligations and Commitments

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

	12 months	1 to 2 years	3 to 5 years	Thereafter	Total
	$	$	$	$	$
Accounts payable and accrued liabilities	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

The debt obligations are several loans to various parties. The Company manages its working capital needs and has sourced financing as needed. The Company's working capital can be impacted as noted in the Risks and uncertainties section by various factors.

Off Balance Sheet Arrangements

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

Subsequent Events

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 $0.070 (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 $0.285 (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 28, 2030, and the note bears interest at 4% per annum, with principal and interest payments due quarterly. Prior to the issuance of the financial statements, the Company received a payment of $25 against the outstanding balance.

Risks and Uncertainties

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

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

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

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

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

Employees
Our success will depend on the combined skills and efforts of our management and employees. We currently have 98 US based employees, of which we have entered into executive employment contracts with Justin Anderson (Chief Executive Officer) and Mark Detz (Chief Financial Officer).

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

Third Party Suppliers
The Company is significantly reliant on third-party partners, including its IT and EMR vendors, as well as medical supply providers, to deliver essential goods and services integral to its operations. Any inability or unwillingness by these third parties to fulfill their obligations, whether due to operational challenges, inflationary pressures, or other factors, could compel the Company to source alternative providers, assuming such options are available. This transition may result in elevated costs or substantial disruptions to business continuity until replacements are secured. Furthermore, in the event of a data breach or failure by a third-party supplier to adhere to contractual obligations, resulting in financial losses or damages, the Company could face adverse consequences if recovery of such losses from the supplier proves unachievable.

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

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

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

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

Third parties, including outsourced service providers, their subcontractors, and entities interfacing with the Company's systems, are also vulnerable to these risks and may lack adequate controls to safeguard sensitive information and business systems. A cybersecurity breach involving a third-party provider could severely impact the Company, even

if the attacked service is beyond its direct control. For example, the February 2024 ransomware attack on Change Healthcare, a unit of UnitedHealth Group, disrupted the Company's receivables collections, as its primary revenue cycle management vendor depended on Change Healthcare as a clearinghouse.

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

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

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

Risks Associated with Acquisitions and Business Integration

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

Potential Impairment of Intangible Assets

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

Permits and Licenses

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

Political Regulatory Risks

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

Registration with the SEC

We believe since completion of the listing on the Toronto Venture Stock Exchange we qualify as a Foreign Private Issuer. If, however, as of the last business day of our second fiscal quarter for any year, more than 50% of our outstanding voting securities (as defined in the U.S. Securities Act) are directly or indirectly held of record by residents of the United States and we do not qualify for certain other exemptions related to the location of assets and

management of the business, we will no longer meet the definition of a Foreign Private Issuer under the rules of the SEC. Losing Foreign Private Issuer status would require us to file annual, quarterly and current reports and make other filings under the 1934 Act and the U.S. Securities Act in accordance with SEC requirements at the beginning of the fiscal year following the loss of Foreign Private Issuer status. If we fail to qualify for Foreign Private Issuer status, we will remain unqualified unless we meet the test as of the last business day of our second fiscal quarter in the applicable fiscal year. This change in status could have a significant effect on us as it would significantly complicate the raising of capital through the offer and sales of securities and reporting requirements, resulting in increased audit, legal and administration costs, which could significantly affect our profitability.

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

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

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

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

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

For the year ended December 31, 2024, key management personnel compensation comprising of salaries and equity totaled $1,624 (Year ended December 31, 2023 - $1,132), which are broken down as follows:

	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
Total	**$1,624**	$1,132

Other related party transaction include a non-interest bearing secured promissory note receivable disclosed in Note 4 and the AVI debt disclosed in Note 7 of the Audited Annual Consolidated Financial Statement.

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

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

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

Going Concern

The 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.

Disclosure Controls and Procedures ("DCP")

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

Internal control over financial reporting (ICFR)

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

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

During the year ended December 31, 2024, there were no significant changes in the Company's internal control over financial reporting that materially affected or is reasonably likely to materially affect the Company's internal controls over financial reporting.