



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

**FOR THE THREE AND SIX MONTHS ENDED  
JUNE 30, 2025 AND JUNE 30, 2024**

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

The unaudited condensed consolidated interim financial statements and the accompanying note disclosures of Kovo+ Holdings Inc. for the three and six months ended June 30, 2025 have been prepared by management, reviewed by the Audit Committee and approved by the Board of Directors of the Company.

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

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

**Consolidated Statements of Financial Position**

		June 30, 2025	December 31, 2024
	Note	\$	\$
<b>Assets</b>			
<b>Current</b>			
Cash		626	305
Accounts receivable	4	264	121
Other receivables and prepaid expenses	4	166	199
Promissory note receivable	4	107	215
		<b>1,163</b>	<b>840</b>
<b>Non-current</b>			
Promissory note receivable	4	165	-
Right-of-use assets	5	69	96
Property and equipment		7	10
Intangible assets	6	5,252	5,693
Goodwill	6	4,731	4,731
<b>Total assets</b>		<b>11,387</b>	<b>11,370</b>
<b>Liabilities and shareholders' deficiency</b>			
<b>Current</b>			
Accounts payable and accrued liabilities		1,563	1,935
Short term debts	7	12,786	10,975
Current portion of lease liabilities	8	63	58
		<b>14,412</b>	<b>12,968</b>
<b>Non-current</b>			
Long term debts	7	1,973	2,346
Lease liabilities	8	18	50
<b>Total liabilities</b>		<b>16,403</b>	<b>15,364</b>
<b>Shareholders' deficiency</b>			
Share capital	9	12,053	10,929
Contributed surplus	9	2,148	1,887
Deficiency		(19,217)	(16,810)
<b>Total shareholders' deficiency</b>		<b>(5,016)</b>	<b>(3,994)</b>
<b>Total liabilities and shareholders' deficiency</b>		<b>11,387</b>	<b>11,370</b>

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

*Contingencies (Note 13)*

*Subsequent events (Note 14)*

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

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**Consolidated Statements of Loss and Comprehensive Loss**

	Note	For the three months ended		For the six months ended	
		June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
		\$	\$	\$	\$
<b>Revenue</b>					
RCM revenue		2,567	2,392	5,043	4,763
Inpatient systems		75	117	150	230
Software revenue		24	58	51	98
Credentialing Services		58	31	106	73
Ambulatory software		29	39	60	80
Hourly Services		51	48	102	97
<b>Total revenue</b>		<b>2,804</b>	<b>2,685</b>	<b>5,512</b>	<b>5,341</b>
<b>Operating expenses</b>					
Salaries and benefits		1,925	2,032	4,079	4,449
General and administrative	10	950	577	1,777	1,331
Share-based compensation	9	-	19	1	35
Depreciation and amortization	5,6	267	223	524	446
<b>Total operating expenses</b>		<b>3,142</b>	<b>2,851</b>	<b>6,381</b>	<b>6,261</b>
<b>Net operating loss</b>		<b>(338)</b>	<b>(166)</b>	<b>(869)</b>	<b>(920)</b>
<b>Other income (expense)</b>					
Interest expense	7	(632)	(563)	(1,245)	(1,104)
Financing charges	7	(300)	(50)	(300)	(910)
<b>Net other expense</b>		<b>(925)</b>	<b>(613)</b>	<b>(1,538)</b>	<b>(2,014)</b>
<b>Net loss and comprehensive loss</b>		<b>(1,263)</b>	<b>(779)</b>	<b>(2,407)</b>	<b>(2,934)</b>
<b>Basic and diluted loss per share</b>	11	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.05)
<b>Weighted average number of common shares</b>					
<b>outstanding basic and diluted</b>	11	176,890,724	57,543,906	167,461,986	57,543,906

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

	Note	Number of common shares outstanding	Share capital \$	Contributed surplus \$	Deficiency \$	Total shareholders' deficiency \$
<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	-	-	35	-	35
Net loss and comprehensive loss		-	-	-	(2,934)	(2,934)
<b>Balances as at June 30, 2024</b>		<b>57,543,906</b>	<b>8,787</b>	<b>1,892</b>	<b>(13,877)</b>	<b>(3,198)</b>
<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>
Share-based compensation	9	-	-	1	-	1
Issuance of common shares	9	43,759,013	1,124	-	-	1,124
Warrant issuance	9	-	-	260	-	260
Net loss and comprehensive loss		-	-	-	(2,407)	(2,407)
<b>Balances as at June 30, 2025</b>		<b>176,890,724</b>	<b>12,053</b>	<b>2,148</b>	<b>(19,217)</b>	<b>(5,016)</b>

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**Consolidated Statements of Cash Flows**

	Note	For the three months ended		For the six months ended	
		June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
		\$	\$	\$	\$
<b>OPERATING ACTIVITIES</b>					
Net loss and comprehensive loss		(1,263)	(779)	(2,407)	(2,934)
Adjustments for non-cash items:					
Depreciation and amortization	5, 6	265	223	522	446
Financing charges	7	300	50	300	910
Interest expense	7	605	899	1,189	900
Accretion expense on lease liabilities	8	3	6	6	12
Share based compensation	9	-	19	1	35
Net change in working capital:					
Accounts receivable		(65)	(31)	(143)	72
Other receivables and prepaid expenses		23	(64)	33	(105)
Accounts payable and accrued liabilities		(164)	(1,091)	(372)	(885)
<b>Net cash used in operating activities</b>		<b>\$ (296)</b>	<b>\$ (768)</b>	<b>\$ (871)</b>	<b>\$ (1,549)</b>
<b>INVESTING ACTIVITIES</b>					
Additions to capitalized software costs	6	-	(24)	-	(120)
Additions to property and equipment	6	-	-	(1)	-
Promissory note issued	4	(50)	-	(50)	-
<b>Net cash used in investing activities</b>		<b>\$ (50)</b>	<b>\$ (24)</b>	<b>\$ (51)</b>	<b>\$ (120)</b>
<b>FINANCING ACTIVITIES</b>					
Net receipts on debt	7	550	500	550	1,750
Net payments on debt	7	(27)	30	(608)	(4)
Proceeds from issuance of common shares, net of financing costs	9	-	-	1,334	-
Lease payments	8	(17)	(47)	(33)	(95)
<b>Net cash from financing activities</b>		<b>\$ 506</b>	<b>\$ 483</b>	<b>\$ 1,243</b>	<b>\$ 1,651</b>
<b>Net (decrease)/increase in cash</b>		<b>160</b>	<b>(309)</b>	<b>321</b>	<b>(18)</b>
Cash balance, beginning of period		466	393	305	102
<b>Cash balance, end of period</b>		<b>\$ 626</b>	<b>\$ 84</b>	<b>\$ 626</b>	<b>\$ 84</b>
<b>Supplemental information</b>					
Interest paid		(32)	(38)	(58)	(193)
Additions to intangible assets		(50)	-	(50)	-

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

**KOVO+ HOLDINGS INC.**  
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**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
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## **1. NATURE OF OPERATIONS AND GOING CONCERN**

Kovo+ Holdings Inc. (Formerly Kovo HealthTech Corporation) (“Kovo” or the “Company”) was incorporated in British Columbia, Canada on February 20, 2020. The Company’s head office is 1500 – 850 2 St SW, Calgary, Alberta, T2P 0R8, Canada.

The Company sells services and software to medical clinics and medical facilities. There are six revenue streams generated through a combination of internal software development and acquisition of existing businesses and assets. The key business lines include:

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

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

### **Going Concern**

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

During the three and six months ended June 30, 2025, the Company incurred a loss from operations of \$338 and \$869 (June 30, 2024 – loss of \$166 and \$920), and a net loss and comprehensive loss of \$1,263 and \$2,407 (June 30, 2024 - net loss of \$779 and \$2,934) and cash used in operating activities of \$296 and \$871 (June 30, 2024 - \$768 and \$1,549). As at June 30, 2025, the Company had a working capital deficit of \$13,249 (December 31, 2024 – \$12,128) and an accumulated deficit of \$19,217 (December 31, 2024 – \$16,810). These factors create a material uncertainty that cast significant doubt regarding the Company’s ability to continue as a going concern. Management may finance its future development activities and operations from the sale of equity and/or debt securities. There is no assurance that the Company will be able to generate positive cash flows from operations or obtain additional financing on terms acceptable to the Company. Subsequent to the period ended June 30, 2025, but prior to the release of these unaudited condensed consolidated interim financial statements, the Company completed certain financing transactions, see Subsequent Event (*Note 14*). The Company’s ability to continue as a going concern is dependent upon the Company’s ability to raise sufficient financing or generate sufficient future cash flows from profitable business activities. There can be no assurance that the steps management is taking will be successful.

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

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

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

These unaudited condensed consolidated interim financial statements should be read in conjunction with the audited December 31, 2024 annual consolidated financial statements, which have been prepared in accordance with IFRS as issued by the IASB. The preparation of these unaudited condensed consolidated interim financial statements is based on accounting principles and practices consistent with those used in the preparation of the audited December 31, 2024 annual consolidated financial statements.

These unaudited condensed consolidated interim financial statements were approved by the board of directors of the Company for issue on August 29, 2025.

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

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

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

The unaudited condensed consolidated interim financial statements include: the accounts of Kovo+ Holdings Inc. (Canadian Corporation, Formerly Kovo HealthTech Corporation); Kovo+ Holdings Inc. (Canadian Corporation) wholly owned subsidiary, Kovo+ (USA), Inc. (US Corporation formerly known as MedWorxs Inc); Kovo+ USA Inc. (US Corporation) wholly owned 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.

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

### **(d) Segments**

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

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

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

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

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

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

In preparing the Company’s unaudited condensed consolidated interim financial statements, management is required to make estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, impairments of intangible assets, valuation of stock options and warrants, the fair value measurement of non-interest-bearing debt, the useful life of capitalized software costs, the disclosure of contingent liabilities at the date of the unaudited condensed consolidated interim financial statements and the reported amounts of revenue and expenses during the reporting periods. These estimates and judgments are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. The estimation of anticipated future events involve uncertainty and, consequently, the estimates used in preparation of the unaudited condensed consolidated interim financial statements may change as future events unfold, more experience is acquired or the Company’s operating environment changes. Actual results may differ from these estimates under different assumptions or conditions. In preparing the unaudited condensed consolidated interim financial statements, the significant estimates made by management include those that applied to and are disclosed in the Company’s audited consolidated financial statements for the year ended December 31, 2024.

## **3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies applied by the Company in these unaudited condensed interim condensed consolidated interim financial statements are the same as those applied in the Company’s annual audited financial statements for the year ended December 31, 2024. As of the date of authorization of these unaudited condensed consolidated interim financial statements, several new, but not yet effective Standards and amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards or amendments to existing Standards have been adopted early by the Company. The Company anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Company’s unaudited condensed consolidated interim financial statements.

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

##### **Capital management**

The Company's objectives when managing its capital are:

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

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

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

##### **Financial Risks**

###### **a) Credit risk**

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

The Company evaluates credit losses on a regular basis based on the aging and collectability of its receivables. As at June 30, 2025, the Company had a provision for expected credit loss of \$189 (December 31, 2024 - \$205).

On April 28, 2025, the Company amended the terms of an 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 15, 2025 to March 1, 2030. The new agreement contained fixed quarterly payments for 20 quarters effective May 1, 2025, with the remaining balance to be paid on March 1, 2030. Commencing May 1, 2025, the promissory note receivable will bear interest at a rate of 4% per annum calculated monthly and compounded annually. As of June 30, 2025, \$57 (December 31, 2024 - \$215) was included in current portion of promissory note receivable and \$165 (December 31, 2024 - \$nil) in non-current portion promissory note receivable and \$2 (June 30, 2024 - \$3) being included in interest income.

On May 27, 2025, the Company entered a promissory note receivable with AI Vector, LLC for an amount up to \$100 with a maturity date of September 30, 2025, at which all principal and unpaid interest is due. The interest rate on the note is 24% per annum, calculated monthly but compounded annually. As of June 30, 2025, \$50 (June 30, 2024 - \$nil) is the current portion of the promissory note receivable. Long term portion of the promissory note receivable is \$nil (June 30, 2024 - \$nil).

The following table provides information regarding the aged trading receivables:

	Current	31-60 days	61-90 days	91+ days
June 30, 2025	74%	17%	5%	4%
December 31, 2024	72%	27%	1%	0%

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

**b) Liquidity risk**

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

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

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

	12 months	1 to 2 years	3 to 5 years	Thereafter	Total
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	1,563	-	-	-	1,563
Debts	12,120	100	140	1,732	14,092
Lease liabilities	63	18	-	-	81
	13,746	118	140	1,732	15,736

**c) Interest risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has one debt instrument subject to variable interest rates (Note 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 three and six months ended June 30, 2025 would be \$2 and \$4 (June 30, 2024 - \$1 and \$2). 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:

	June 30, 2025
	\$
Cash	5
Notes and other receivables	85
Accounts payable and accrued liabilities	290

The Company does not use derivative financial instruments to mitigate its exposure to currency risk. Management, however, mitigates currency risk by regular monitoring, transacting in stable currencies, matching the foreign currency receivables and payables and minimizing the net exposure in any foreign currency at any point of time. A 100 basis points change in the value of the Canadian currency will result in the increase/decrease in the Company's net loss of \$4 (June 30, 2024 – net loss of \$3).

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

<b>Cost</b>	<b>ROU Assets</b>	
Balances as at Dec 31, 2024	\$	765
Additions		-
Balances as at June 30, 2025	\$	765
<b>Accumulated Depreciation</b>		
Balances as at Dec 31, 2024	\$	(669)
Amortization	\$	(27)
Balances as at June 30, 2025	\$	(696)
<b>Net Book Values as at December 31, 2024</b>	<b>\$</b>	<b>96</b>
<b>Net Book Values as at June 30, 2025</b>	<b>\$</b>	<b>69</b>

The right-of-use assets represent an office lease, utilized by the Company as at the reporting period ending June 30, 2025 (Note 8).

For the three and six months ended June 30, 2025, the Company notes that it also recorded depreciation in the amount of \$8 and \$16 and (June 30, 2024: – \$9 and \$15) related to computer equipment and company websites.

**6. INTANGIBLE ASSETS AND GOODWILL**

	<b>Intangible Assets and Goodwill</b>						<b>Goodwill</b>
	<b>Intellectual</b>					<b>Total</b>	
	<b>Property</b>	<b>Customer Lists</b>	<b>Trademark</b>	<b>Licenses</b>	<b>Software</b>		
	\$	\$	\$	\$	\$	\$	\$
<b>Cost</b>							
Balances as at December 31, 2024	458	5,386	530	542	1,481	8,397	4,731
Additions	-	-	-	50	-	50	-
Balances as at June 30, 2025	458	5,386	530	592	1,481	8,447	4,731
<b>Accumulated Amortization</b>							
Balances as at December 31, 2024	(458)	(1,000)	(124)	-	(1,122)	(2,704)	-
Amortization	-	(231)	(53)	(82)	(125)	(491)	-
Balances as at June 30, 2025	(458)	(1,231)	(177)	(82)	(1,247)	(3,195)	-
<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>
<b>Net carrying amount as at June 30, 2025</b>	<b>-</b>	<b>4,155</b>	<b>353</b>	<b>510</b>	<b>234</b>	<b>5,252</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 at the fiscal year end.

On October 7, 2024, the Company acquired the rights to purchase the AccelVue assets. The AccelVue assets are classified as Licenses consistent with the Company policy. On February 9, 2025, the Company executed its right to purchase the AccelVue assets by issuing \$50 in common shares to HEAL USA Corp. The Company reviews the carrying value of the intangible assets at each reporting period for indicators of impairment. Upon completion of this review as at June 30, 2025, it was determined there were no indicators of impairment.

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**(FORMERLY KOVO HEALTHTECH CORPORATION)**

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**7. DEBTS**

<b>Short Term Debt</b>	<b>Interest Rate</b>	<b>Principal Balance 06/30/2025</b>	<b>Interest Rate</b>	<b>Principal Balance 12/31/2024</b>
Avonlea Debt	12.00%	\$ 11,288	12.00%	\$ 9,945
Avonlea Promissory Grid Note	24.00%	\$ 666	0.00%	\$ -
Promissory Note - August 31, 2024	4.12%	\$ 540	4.19%	\$ 989
Health Cell	8.00%	\$ 250	8.00%	\$ -
EIDL Loan	3.75%	\$ 42	3.75%	\$ 41
<b>Short Term Debt/ Weighted Average Interest Rate</b>	<b>12.19%</b>	<b>\$ 12,786</b>	<b>11.27%</b>	<b>\$ 10,975</b>

  

<b>Long Term Debt</b>	<b>Interest Rate</b>	<b>Principal Balance 06/30/2025</b>	<b>Interest Rate</b>	<b>Principal Balance 12/31/2024</b>
EIDL Loan	3.75%	\$ 1,916	3.75%	\$ 1,936
Promissory Note - August 31, 2024	4.12%	\$ -	4.19%	\$ 102
Health Cell	8.00%	\$ -	8.00%	\$ 250
Promissory Note - Heal USA Inc.	10.00%	\$ 57	10.00%	\$ 58
<b>Long Term Debt/ Weighted Average Interest Rate</b>	<b>3.93%</b>	<b>\$ 1,973</b>	<b>4.38%</b>	<b>\$ 2,346</b>

  

<b>Total Debt/ Weighted Average Interest Rate</b>	<b>11.08%</b>	<b>\$ 14,759</b>	<b>10.05%</b>	<b>\$ -</b>
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<b>Weighted Average Interest Rate Increase for 100bp</b>	<b>0.03%</b>	<b>0.15%</b>
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Quarter over quarter movement of debt:

<b>Balance as of December 31, 2023</b>	<b>\$ 5,751</b>
Net receipts on debt	1,750
Interest accretion	897
Debt servicing costs	910
Net payments on debt	(4)
<b>Balance as of June 30, 2024</b>	<b>\$ 9,304</b>
<b>Balance as of December 31, 2024</b>	<b>\$ 13,321</b>
Interest accretion	1,196
Net receipt on debt	550
Debt servicing costs	300
Net payments on debt	(608)
<b>Balance as of June 30, 2025</b>	<b>\$ 14,759</b>

**Short Term Debt**

*Avonlea Debt*

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

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

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**7. DEBTS (continued)**

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

On May 1, 2025, the Company amended the senior loan and security agreement between Kovo+ Holdings Inc. ("Borrower") and Avonlea Ventures #2 Inc. ("Lendor") to extend the maturity date of the loan to June 30, 2025. The amendment includes a financing fee of \$200 which is due and payable on the maturity date. See Subsequent Event Note 14 for further information regarding the extension of the AVI loan.

The AVI debt is secured by all the Company's assets and has priority over all other creditors. As of June 30, 2025, the balance was \$11,288 (December 31, 2024 – \$9,945) and is included in short term debt.

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**7. DEBTS** (continued)

*Avonlea Debt – Secured Promissory Grid Note*

On May 1, 2025, the Company entered a secured promissory grid note with Avonlea Ventures #2 Inc. (“AVI”) to receive funding up to \$850. The promissory grid note bears interest of 24% per annum, calculated monthly but compounded annually and matures on June 30, 2025. This agreement includes a financing fee of \$100 which is due and payable on the maturity date.

The Company has drawn the following tranches under this promissory grid note:

<u>Date</u>	<u>Avonlea Funds Received</u>
May 5, 2025	\$ 225
June 5, 2025	\$ 325

On June 30, 2025, the balance was \$666 (June 30, 2024 – \$nil) included in short term debt. See Subsequent Event Note 14 for further information regarding the extension of the AVI Secured Promissory Grid Note.

*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 for \$2,200, maturing on August 31, 2026, with a variable interest rate which is the short term Applicable Federal Rate (AFR) published by the United States Department of the Treasury, Internal Revenue Service. The principal of the note must be paid in four equal installments on a semi-annual basis to which interest is payable monthly. As of June 30, 2025, the balance was \$540 (December 31, 2024 – \$1,091), of which \$540 was included in short term debts and a balance of \$nil was included in long term debts.

*Healthcell Promissory Note*

On February 1, 2023, the Company received a promissory note from HealthCell LLC in the amount of \$250 with a three-year term. The Company is to make interest only payments, at 8% per annum, starting February 1, 2023, and repay the principal balance in full on February 1, 2026. As of June 30, 2025, the outstanding balance was \$250, of which \$250 (December 31, 2024 – nil) was included in short term debt and nil (December 31, 2024 – \$250) included in long term debt.

Long Term Debt

*EIDL loan*

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

The loan carries an interest rate of 3.75% per annum and is amortized over 30 years, with the first payment due 30 months after the loan origination date, accruing interest until payments commence. The Company incurred \$19 and \$39 in interest expense during the three and six months ended June 30, 2025 (June 30, 2024 – \$20 and \$40). As of June 30, 2025, the balance was \$1,958 (December 31, 2024 - \$1,977), of which \$42 was included in short term debt and \$1,916 included in long term debt.

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**7. DEBTS (continued)**

*Promissory Note – HEAL USA Inc.*

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 June 30, 2025, the outstanding balance was \$57 (December 31, 2024 – \$58), included in long term debts.

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

	\$
0 to 1 year	12,863
1 to 2 years	175
3 to 5 years	355
Thereafter	2,655
Less: effective interest	(1,289)
	<u>14,759</u>

**8. LEASE LIABILITIES**

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

	June 30, 2025
Beginning balance as of January 1, 2025	\$ 108
Payment of lease obligations	(33)
Interest expense on lease obligations	6
Ending Balance as of June 30, 2025	<u>\$ 81</u>

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

	June 30, 2025
Maturity analysis – contractual undiscounted cash flows	
Less than one year	\$ 69
One to five years	18
More than five years	-
<b>Total undiscounted lease obligations</b>	<b>\$ 87</b>
Lease obligations	\$ 81
Current portion	\$ 63
Non-current portion	\$ 18

## **8. LEASE LIABILITIES** (continued)

As of June 30, 2025, 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 12.0% (2024 – 11.3%).

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 \$6 (June 30, 2024 – \$6).

## **9. SHARE CAPITAL**

### *Common Shares*

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

#### For the six months ended June 30, 2025:

On February 9, 2025, the Company issued 43,759,013 common shares as part of its non-brokered private placement at a price of \$0.035 (CDN \$0.05) per common share for aggregate gross proceeds of \$1,509 (CDN \$2,188) (the “Concurrent Offering”). Net proceeds from the private placement aggregate to \$1,384, net of \$125 professional fees. Insiders purchased 31,337,333 units and non-insiders purchased 12,421,680 units with gross proceeds of \$150 (CDN \$215) and \$1,359 (CDN \$1,973), respectively.

As at June 30, 2025, the Company had 176,890,724 common shares outstanding (December 31, 2024 – 133,131,711 common shares outstanding).

#### For the six months ended June 30, 2024:

There was no common share activity during the six months ended June 30, 2024. As at June 30, 2024, the Company had 57,543,906 common shares outstanding (December 31, 2023 – 57,543,906 common shares outstanding).

### *Incentive Plans*

On June 16, 2025, the Company’s Board of Directors approved a new omnibus equity incentive plan (the “New Compensation Plan”), subject to shareholder and pending TSX Venture Exchange (“TSXV”) approval. The purpose of the New Compensation Plan is to align the interests of directors, officers and employees with those of shareholders, support long-term value creation and facilitate the attraction and retention of key personnel. The New Compensation Plan replaces the Corporation’s legacy plan and provides for the grant of stock options, restricted share units (“RSUs”), performance share units (“PSUs”) and deferred share units (“DSUs”) to directors, officers, employees and consultants of the Corporation. Under the New Compensation Plan, the maximum number of common shares issuable pursuant to awards is limited to 10% of the issued and outstanding common shares at any time, inclusive of grants made under the legacy plan with some restrictive applied. Options granted under the plan have an exercise price not less than market value at the grant date, a maximum term of ten years, and typically vest in equal installments over four years. RSUs and PSUs generally require a minimum one-year vesting period, with PSUs subject to performance conditions established by the Board. DSUs may only be granted to non-executive directors and are settled after termination of service.

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**9. SHARE CAPITAL** (continued)

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, 2024	2,745,686	\$	0.32
Forfeited	(900,000)	\$	0.22
Outstanding as at June 30, 2025	1,845,686	\$	0.43
Exercisable as at June 30, 2025	1,845,686	\$	0.43
As at December 31, 2023	3,135,882	\$	0.32
Forfeited	(25,000)	\$	0.12
Outstanding as at June 30, 2024	3,110,882	\$	0.32
Exercisable as at June 30, 2024	3,073,382	\$	0.29

As of June 30, 2025, the Company had the following stock options outstanding:

<b>Exercise Price</b>	<b>Number of options outstanding</b>	<b>Weighted average remaining life (months)</b>
\$ 0.77	500,000	12
\$ 0.20	1,245,686	57
\$ 1.00	100,000	69
	1,845,686	45

During the three and six months ended June 30, 2025, the Company did not issue options to staff and recorded \$nil and \$1 (June 30, 2024 - \$19 and \$35) in share-based compensation of which \$nil related to issuance of restricted stock units.

The compensation expenses were based on the fair value of each stock option on the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions for the six months ended June 30, 2025. No options have been issued for the periods ending June 30, 2025.

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**9. SHARE CAPITAL (continued)**

*Warrants*

A summary of all warrants issued is as follows:

	<b>Warrants Outstanding</b>	<b>Weighted average exercise price</b>
Balance December 31, 2024	10,933,943	\$0.306
Issued	21,879,507	\$0.100
Balance June 30, 2025	32,813,449	\$0.169

On February 9, 2025, the Company issued 21,879,507 warrants as part of the non-brokered private placement offering. All warrants were valued using the Black Scholes valuation model with the following assumptions: expected volatility of 117.9%; expected dividend yield of 0%; risk-free interest rate of 2.66%; exercise price of \$0.07 (CDN \$0.10).

As of June 30, 2025, the Company has 4,595,071 Restricted Share Unit (“RSU”) outstanding (June 30, 2024 – 4,595,071). No RSU’s have been granted during the six-month period ended June 30, 2025.

**10. GENERAL AND ADMINISTRATIVE EXPENSES**

General and administrative expenses for the three months ended June 30, 2025 and 2024:

	<b>For the three months ended</b>		<b>For the six months ended</b>	
	<b>June 30, 2025</b>	<b>June 30, 2024</b>	<b>June 30, 2025</b>	<b>June 30, 2024</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Professional expenses	485	269	998	540
Software & IT	89	137	185	220
Public company expenses	67	71	162	153
Office expenses	112	84	237	208
Processing fees	161	1	153	187
Other general and administrative	36	15	42	23
<b>General and administrative expense</b>	<b>950</b>	<b>577</b>	<b>1,777</b>	<b>1,331</b>

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**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>	For the three months ended		For the six months ended	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Basic weighted average number of shares outstanding - opening balance	176,890,724	57,543,906	133,131,711	57,543,906
Issuances of shares for Private Placement	-	-	34,330,275	
Basic weighted average number of shares outstanding - ending balance	176,890,724	57,543,906	167,461,986	57,543,906
Diluted weighted average number of shares outstanding	176,890,724	57,543,906	167,461,986	57,543,906
Net loss for the period	\$ (1,263)	\$ (779)	\$ (2,407)	\$ (2,934)
Weighted average basic and diluted loss per share	\$ (0.007)	\$ (0.014)	\$ (0.014)	\$ (0.051)

**12. 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.

For the three and six months ended June 30, 2025 and 2024, key management personnel compensation comprising of salaries and share based compensation:

	For the three months ended		For the six months ended	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
	\$	\$	\$	\$
Key management personnel compensation				
Executives	93	-	175	-
Former executives	110	181	442	400
Share based compensation				
Executives	-	-	1	-
<b>Total</b>	<b>203</b>	<b>181</b>	<b>618</b>	<b>400</b>

Included in accounts payable and accrued liabilities, was a balance of \$268 (December 31, 2024 – \$180) owing to former personnel and other payouts. Included in promissory note receivable, was a balance of \$222 (December 31, 2024 – \$215) due from a board member.

The Company has a related party loan payable to AVI, a promissory note payable to AVI, and a promissory note payable to HEAL USA Inc. in the amounts of \$11,288, \$666, and \$57, respectively. See Note 7 for additional information.

## **12. RELATED PARTY BALANCES AND TRANSACTIONS (continued)**

On February 9, 2025, the Company issued common shares as part of its non-brokered private placement, see Note 9 for more information. Insiders purchased 31,337,333 units and non-insiders purchased 12,421,680 units with gross proceeds of \$150 (CDN \$215) and \$1,359 (CDN \$1,973), respectively

## **13. CONTINGENCIES**

From time to time, the Company may be involved in various litigation matters, which arise in the ordinary course of business. As at June 30, 2025, there are two ongoing legal proceedings relating to client disputes that management believes may 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 is one further legal claim from a client 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. In addition, during the three months ended Jun 30, 2025, one prior legal claim was settled with immaterial payment paid.

## **14. SUBSEQUENT EVENTS**

### *Avonlea Ventures #2 Inc. Extension of Senior Loan Agreement and Secured Promissory Grid Note*

On July 3, 2025, the Company entered into an extension agreement with AVI to extend the maturity date of the Senior Loan Agreement and Secured Promissory Grid Note from June 30, 2025 to July 31, 2025. The other terms as set out in the Senior Loan and Security Agreement remain unchanged. On July 31, 2025, the Company entered into a second extension agreement with AVI to extend the maturity date of the Senior Loan Agreement and Secured Promissory Grid Note from July 31, 2025 to August 29, 2025. The principal amount available to borrow on the Secured Promissory Grid Note was increased from \$850 to \$1,250. The other terms as set out in the Senior Loan and Security Agreement remain unchanged. On July 31, 2025, a third extension was entered to extend the maturity date of the Senior and Security Agreement to Dec 31, 2025. The principal amount available to borrow on the Secured Promissory Grid Note was increased from \$1,250 to \$3,750.

As an inducement for the Transactions, the Company granted AVI a financing fee in the aggregate amount of \$250 and a monthly fee equal to one percent of the aggregate amounts then outstanding and owing of the indebtedness owned by Kovo to AVI under the Senior Loan Agreement and the Secured Promissory Grid Note, payable in cash at the Maturity Date, or such later date as of mutually agreed between the parties.

### *Purchase of AI Vector, LLC*

During the three months ended June 30, 2025, the Company announced that it had entered into a definitive asset purchase agreement (the “APA”) with Avonlea Ventures #2 Inc. (“AVI”) to acquire the exclusive right to purchase certain contractual assets of AI Vector, LLC (“AI Vector”). The APA between the Company and AI Vector became effective on June 30, 2025. On August 28, 2025, the Company successfully completed the acquisition of AI Vector.