



**MANAGEMENT'S DISCUSSION AND ANALYSIS
OF
KOVO HEALTHTECH CORPORATION**

**FOR THE THREE AND SIX MONTHS ENDED
JUNE 30, 2023 AND JUNE 30, 2022**

DATED August 28, 2023

KOVO HEALTHTECH CORPORATION

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

BACKGROUND

Kovo HealthTech Corporation ("Kovo" or the "Company" or the "Corporation") 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.

This Management's Discussion & Analysis ("MD&A") for the three and six months ended June 30, 2023, and 2022, is dated August 28, 2023 and constitutes management's review of the factors that affected the Corporation's financial and operating performance for the three and six months ended June 30, 2023 and 2022 and guidance related to certain performance criteria post the quarter end. This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the audited consolidated financial statements of the Corporation for the years ended December 31, 2022, and as well as the unaudited condensed consolidated interim financial statements for three and six months ended June 30, 2023 together with the notes thereto. Results are reported in thousands of US dollars, unless otherwise noted. The Corporation's unaudited condensed consolidated financial statements and the financial information contained in this MD&A are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and interpretations of the IFRS Interpretations Committee.

Kovo HealthTech Corporation is a growing healthcare technology company that specializes in Billing-as-a-Service offering SaaS-style recurring revenue contracts and software for US healthcare clinics, hospitals and private practices. Kovo helps healthcare providers digitally track and manage complex patient care registration, services, billing and payments in a seamless way, using its proprietary OneRev technology platform. By offering effective billing practices and technology through long-term SaaS-style contracts, Kovo helps healthcare practitioners focus on offering quality care.

In addition to driving organic growth in our core business, Kovo is proactively pursuing a disciplined acquisition strategy which targets buying \$1 of ARR (Annual Recurring Revenue) for every \$1 investment of debt or equity. Kovo targets medical billing operators with a minimum five-year operating track record to ensure consistent and predictable results. Leading 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.

Kovo does not buy bricks and mortar clinics, which are costly and complex to operate. Instead, the Company focuses on acquiring existing, stable medical billing contracts and converts them over to our platform under SaaS-style agreements. Historically, this asset-light approach creates a 20-30% increase in efficiencies and immediate accretive revenue.

History of Our Business

Kovo Inc. (formerly MedWorx Inc.) was co-founded in January 2002 by software development and medical billing experts Greg and Jeana Noble in Denver, Colorado. In 2007 Kovo Inc. accelerated its growth by acquiring Healthcare Software Systems, Inc. By 2008, Kovo Inc. began work on its Electronic Health Records EHR system and in 2010, the Company received certification from the United States Office of National Coordinator.

In 2018, Kovo Inc. refocused its business to concentrate on healthcare Billing-as-a-Service (also known as RCM in the US market) software products and services. The Company generated revenue through a combination of organic growth through the addition of new customers — and by acquiring medical billing businesses and converting those businesses to the Company's technology platform to optimize efficiencies.

Kovo completed a reverse takeover transaction pursuant to the terms of an amalgamation agreement dated May 31, 2021, among Kovo, Kovo Inc., a Colorado corporation, and MW Acquisition Corp. ("Merger Sub"), a Colorado corporation and wholly-owned subsidiary of the Company (the "Reverse Takeover"). The Reverse Takeover was completed by way of a "three-cornered" amalgamation pursuant to the provisions of the Business Corporations Act (Ontario) whereby Kovo Inc. amalgamated with Merger Sub to form an amalgamated corporation and a wholly owned subsidiary of Kovo. Effective May 31, 2021, Kovo completed a Common Share consolidation on the basis of 1:1 old common share into one new Common Share of Kovo (a "Common Share"). All shares and per share amounts have been restated to reflect the share consolidation retrospectively. Since Kovo Inc. is deemed to be the continuing entity for accounting purposes, this MD&A represents the continuation of its results, and its assets and liabilities are included in the audited consolidated financial statements at their historical carrying values.

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Revenue Streams

The Company has five revenue streams:

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

Kovo currently serves over 1,700 health care providers representing over 3,500,000 active patients, which represents an exciting future opportunity to develop additional patient-facing services and accretive revenue streams.

On August 22, 2023, the Company announced the launch of KovoCloud, its AI powered software. The new platform accelerates the Company's Software-as-a-Service (SaaS) offering and AI billing solutions for small and medium-sized healthcare providers and includes new offerings such as Practice Management, Payment Processing, Electric Medical Records, and Patient Engagement. The Company started developing the technology in Q1 2023 and expects first revenue to be recognized from customers in Q4 2023. The Company will note major KovoCloud milestones as they arise.

FINANCIAL AND MAJOR HIGHLIGHTS

Key drivers of Q2 2023 results were:

- Quarterly revenue was \$2,631, a 36% increase Quarter-over-Quarter
- A majority of the increase has been due to the acquisitions of [E&A Medical Billing](#) in April 2023 and [Kairos Billing](#) in June 2023
- The Company successfully completed a [debt and equity raise](#) in April 2023
- The Company's shift to prioritize Software Solutions by announcing KovoCloud and hiring of new [Chief Technology Officer](#)

Revenue Metrics and 2023 Guidance

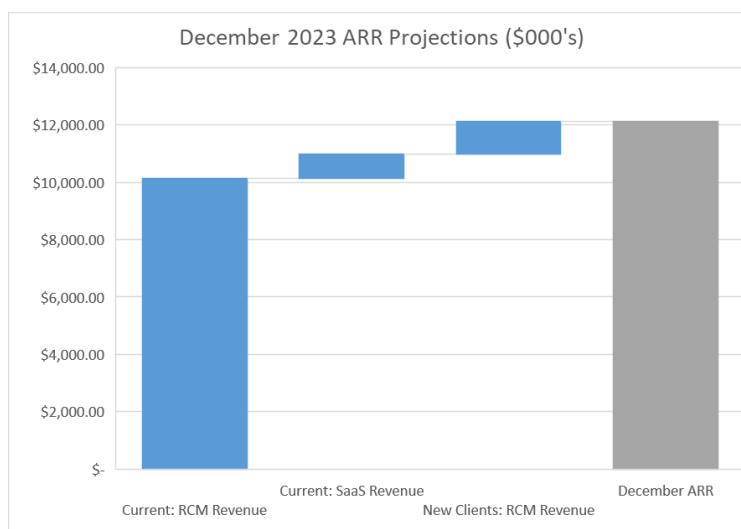
Kovo posted a 36% quarter-over-quarter ("QoQ") revenue expansion for the three months ending June 30, 2023, versus the three months ending March 31, 2023, the increase was driven by the E&A and Kairos acquisitions closed in Q2 2023.

The Company executed on its growth strategies to bring the revenue back to growth in Q2 2023 with revenues of \$2,631, Annual Recurring Revenue (ARR) of \$10,524, and a projected Q4 2023 ARR of \$12,000, an expected 9% increase versus Q2 2023. Up to the date of these financials, the Company signed three clients with an estimated ARR of \$1,140 with billing will commence Q3/Q4 2023.

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KOVO's Evolution from RCM to SaaS Sales

The Company has pivoted to focus on developing and scaling its SaaS business through KOVOCloud, while continuing to operate and organically grow the RCM business line. In 2023, the Company has been investing in KOVOCloud, a new SaaS business line, over the past year and expects to commence monetizing by the end of Q4 2023. The Company has been investing in a robust Sales and Marketing team, full-stack developers as well as a Chief Technology Officer ("CTO") to drive software and technological development and as of June 30, 2023 the Company has incurred \$560 in payroll expenses related to KOVOCloud. As the Company continues to develop KOVOCloud and associated AI products, development costs could increase as the company makes strategic investments into this business line. The Company will announce material revenue milestones as they are achieved on the KovoCloud platform before the end of Q4 2023.

Debt Metrics

On April 21, 2023, the Company entering into a senior loan and security agreement with Avonlea Ventures #2 Inc. to establish a \$7,000 credit facility, of which \$3,013 has been authorized and drawn upon to date. The Company has paid off the PayPal Working Capital Loan, Flow Capital Acquisition Line, Small Business Administration Loan 1, Small Business Administration Loan 2, Small Business Administration Loan 3, Funding Circle Loan, and the Hingwala Convertible Debt in full. This resulted in the Company's weighted average interest rate reducing by 58 basis points from 8.98% to 8.40%. This improved capital structure will aid the Company in continuing to efficiently execute on its strategic initiatives.

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	Q1 2023		Q2 2023	
Short Term Debt	Interest Rate	Principle	Interest Rate	Principle
Paypal Working Capital Loan	25.40%	\$ 61	25.40%	\$ -
Short Term Debt/ Weighted Average Interest Rate	25.40%	\$ 61	0.00%	\$ -
	Q1 2023		Q2 2023	
Long Term Debt	Interest Rate	Principle	Interest Rate	Principle
EIDL Loan	3.75%	\$ 2,054	3.75%	\$ 2,036
Flow Capital Acquisition Line	16.00%	\$ 1,255	16.00%	\$ -
Promissory Note to Curt Cvikota	5.00%	\$ 671	5.00%	\$ 337
Health Cell	-	\$ -	8.00%	\$ 250
Tech-Time Debts	7.50%	\$ 183	7.50%	\$ 140
Hingwala Convertible Debt	25.00%	\$ 225	25.00%	\$ -
Small Business Administration Loan 2	9.00%	\$ 188	10.25%	\$ -
Small Business Administration Loan 1	9.00%	\$ 161	10.25%	\$ -
Funding Circle Loan	15.82%	\$ 41	15.82%	\$ -
Avonlea Debt	-	\$ -	12.00%	\$ 3,013
Small Business Administration Loan 3	9.00%	\$ 48	10.25%	\$ -
Long Term Debt/ Weighted Average Interest Rate	8.78%	\$ 4,827	8.40%	\$ 5,776
Total Debt/ Weighted Average Interest Rate	8.98%	\$ 4,888	8.40%	\$ 5,776
Weighted Average Interest Rate Increase for 100bp Increase in Fed Rate	0.07%		0.03%	

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 completed in 2021, two complete in Q2 2023. Collectively, these transactions position the Company to drive revenue and EBITDA 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,

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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).

Internal research by the Company pursuant to our roll-up business model identifies more than 30,000 RCM vendors in the US market. Of those, more than 15,000 have revenues of under \$10,000. We believe this work confirms the presence of a large prospecting pool for acquisitions at a size suitable to our capital capabilities.

The Company is investing into increased sales teams, consolidated marketing strategies and new corporate websites to be implemented in 2023 to drive increased organic growth through various channels. The Company intends to continue pursuing new acquisitions and additional organic growth going forward.

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

SELECTED QUARTERLY INFORMATION

	2021		2022				2023	
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Revenue	\$ 1,654	\$ 2,499	\$ 2,837	\$ 2,609	\$ 2,520	\$ 2,580	\$ 1,930	\$ 2,631
Income/(Loss) from Ops	\$ (337)	\$ (27)	\$ (207)	\$ (94)	\$ (331)	\$ (469)	\$ (681)	\$ (594)
Weighted Avg Shares	33,001,171	32,637,284	38,242,076	39,296,910	39,809,667	39,943,906	39,943,906	53,869,181
Weighted Avg Diluted Shares	33,001,171	32,637,284	38,242,076	39,296,910	39,809,667	39,943,906	39,943,906	53,869,181
Per Share Basis	\$ (0.01)	\$ (0.00)	\$ (0.01)	\$ (0.00)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.02)
Per Diluted Share Basis	\$ (0.01)	\$ (0.00)	\$ (0.01)	\$ (0.00)	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (0.02)
Total Income/(Loss)	\$ (476)	\$ (1,332)	\$ (332)	\$ (217)	\$ 221	\$ 78	\$ (858)	\$ (1,314)
Weighted Avg Shares	33,001,171	32,637,284	38,242,076	39,296,910	39,809,667	39,943,906	39,943,906	53,869,181
Weighted Avg Diluted Shares	33,001,171	32,637,284	38,242,076	39,296,910	39,809,667	39,943,906	39,943,906	53,869,181
Per Share Basis	\$ (0.01)	\$ (0.04)	\$ (0.01)	\$ (0.01)	\$ 0.01	\$ 0.00	\$ (0.02)	\$ (0.02)
Per Diluted Share Basis	\$ (0.01)	\$ (0.04)	\$ (0.01)	\$ (0.01)	\$ 0.01	\$ 0.00	\$ (0.02)	\$ (0.02)
EBITDA	\$ (221)	\$ (1,034)	\$ 14	\$ 136	\$ 568	\$ (259)	\$ (535)	\$ (984)
ADJUSTED EBITDA	\$ 7	\$ 105	\$ 46	\$ 266	\$ 5	\$ 8	\$ (506)	\$ (200)

Q2 2023 revenue increased to \$2,631 from \$1,930 in Q1 2023. The Q2 2023 revenue figures include results of the newly acquired E&A Medical Billing ("E&A") on April 20, 2023, and Kairos Billing Solutions ("Kairos") on June 6, 2023.

Excluding revenues from E&A and Kairos acquisitions which contributed \$728 and \$55 to the Q2 2023 revenues, there is a net decrease of 4% in adjusted revenues primarily due to two large RPM client contracts signed in Q2 2021 as both clients have since hired in-house billing teams which no longer require an external billing administrator and for cost savings. Excluding RPM revenues, the Company posted a normalized organic growth of 6% for the three months ended June 30, 2023, versus the three months ended March 31, 2023.

Coinciding with its rapid growth, operating costs have increased partly due to a higher overall headcount in personnel. Typically, to leverage synergies, the Company reduces payroll costs post-acquisition. However, given the Company's rapid growth, the growing US labour shortage the Company elected to maintain a larger team in the short term. The Company budgets for payroll relative to the sales funnel. Payroll as a percentage of revenue decreased from 94% in Q2 2021 to 69% in Q3 2021 to 60% in Q4 2021, rising slightly to 70% in Q1 2022, decreasing to 64% in Q2 2022, increasing to 73% in Q3 2022, reducing

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to 66% in Q4 2022, increasing to 94% in Q1 2023, and decreasing to 80% in Q2 2023. Payroll as a percentage of sales in 2023 are higher than prior years due to the Company investing into increased sales teams and developers for SAAS ambitions in which revenue will follow bringing the payroll as a percentage of sales back in line with expectations.

Kovo incurs professional fees related to its ongoing public company and investor relations expenses. For the three and six months ended June 30, 2023, public company expenses were \$96 and \$156 (for the three and six months ended June 30, 2022 - \$133 and \$274), mainly because of activities related to the ongoing public company listing expenses and investor relations. The increase in 2023 operating costs for the three and six months ended June 30, 2023, include non-cash share-based compensation expenses of \$195 and \$224 (for the three and six months ended June 30, 2022 - \$134 and \$166) and amortization of \$197 and \$342 (for the three and six months ended June 30, 2022 - \$152 and \$307). Depreciated assets during 2023 relate to capitalized software development, capitalized computer equipment, ERP implementation fees, right of use assets and customer lists.

Operating loss for the three and six months ended June 30, 2023, totaled \$594 and \$1,275 (for the three and six months ended June 30, 2022 - \$17 and \$158). The increase is driven from the decrease in RPM revenue, which is expected to increase in subsequent quarters and investing into increased sales teams and developers for SAAS ambitions in which revenue will follow. Interest expense for the three and six months ended June 30, 2023, totaled \$133 and \$311 (for the three and six months ended June 30, 2022 - \$201 and \$392), reflecting interest paid and/or accrued on debt and accretion on leases.

Kovo's total assets increased to \$9,547 as of June 30, 2023, compared to \$6,934 as of December 31, 2022. Cash-on-hand decreased to \$521, intangible assets and rights of use assets increased to \$4,194 and \$365, respectively, as of June 30, 2023, driven by the customer lists obtained through the acquisitions of E&A and Kairos in the quarter. As well as the office lease obtained through the E&A acquisition. Goodwill increased to \$3,795 due to the acquisition of E&A at \$1,359 and the acquisition of Kairos at \$65 in the quarter. 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 expected of \$12,000 by Q4.

Total non-current liabilities decreased to \$2,830 as of June 30, 2023, from \$4,006 on December 31, 2022. The decrease is driven by the new Avonlea loan which was used to pay off previous long term debt obligations. In addition, the Avonlea loan is fully classified as short-term debts as it is due within 12 months.

EBITDA and Adjusted EBITDA¹

We utilize EBITDA and Adjusted EBITDA as primary financial metrics to manage performance of the business. The details of the calculation for the three and six months ended June 30, 2023, and 2022 are shown below to illustrate the methodology of the calculation. Primary deductions for interest and depreciation charges are shown for EBITDA and the removal of one-time non-recurring charges are shown for calculation of Adjusted EBITDA.

The Corporation highlights stable revenues for the last seventeen quarters, with a material increase post acquisitions in July 1, 2021 related to the Midwest acquisition and November 1, 2021 related to the Cvikota acquisition. The RPM Billing acquisition closed on March 2, 2020 and has earned over \$12.5 million in revenue since acquisition. The Midwest Medical Billing Service Inc closed on July 6, 2021 and has earned over \$2.9 million in revenue since acquisition. The Cvikota Company Inc. closed on November 22, 2021 and has earned over \$4.5 million in revenue since acquisition. The E&A Medical Billing (US Corporation)

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 financing 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.

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closed on April 20, 2023 and has earned over \$0.7 million in revenue since acquisition. The Kairos Billing Solutions LLC close on June 6, 2023 and has earned over \$0.05 million in revenue since acquisition. The Company anticipates experiencing accretive EBITDA margin in subsequent periods as we continue to grow revenue and create synergies from the merged operations, which we expect to see in 2023.

The Company notes Adjusted EBITDA for a more normalized context of the Company's operations excludes non-cash bearing warrant/stock option expenses, goodwill or customer list impairment costs, unrealized foreign exchange losses, any one-time settlements, deal financing expenses related to raising debt or equity and acquisition related expenses. We believe these results demonstrate prudent cost management and effective customer acquisition through both organic and accretive efforts, demonstrating successful execution of our growth strategy.

With respect to performance, the Company's EBITDA loss for the three and six months ended June 30, 2023 was \$984 and \$1,519 (for three and six months ended June 30, 2022 EBITDA of \$136 and \$150). Adjusted EBITDA loss for the three and six months ended June 30, 2023, was \$200 and \$706 (for three and six months ended June 30, 2022, Adjusted EBITDA of \$270 and \$316). 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.

	For the three months ended		For the six months ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Note	\$	\$	\$	\$
Net Loss	\$ (1,314)	\$ (217)	\$ (2,172)	\$ (549)
Add back:				
Interest	133	201	311	392
Taxes	-	-	-	-
Depreciation	197	152	342	307
Total	\$ 330	\$ 353	\$ 653	\$ 699
EBITDA	\$ (984)	\$ 136	\$ (1,519)	\$ 150
Adjusted EBITDA				
Adjustments:				
Loss on loan modifications	429	-	429	-
Non-cash equity issuances	195	134	224	166
Acquisition and financing expenses	191	-	191	-
Gain on lease cancellation	(31)	-	(31)	-
Total	\$ 784	\$ 134	\$ 813	\$ 166
Adjusted EBITDA	\$ (200)	\$ 270	\$ (706)	\$ 316

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LIQUIDITY AND CAPITAL RESOURCES

	For the three months ended		For the six months ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
	\$	\$	\$	\$
OPERATING ACTIVITIES				
Net loss and comprehensive loss	(1,314)	(217)	\$ (2,172)	\$ (549)
Adjustments for non-cash items:				
Depreciation and amortization	197	152	342	307
Interest expense	9	60	54	109
Accretion expense on lease liabilities	10	13	15	28
Share based compensation	195	134	224	166
Gain on lease modification	(14)	-	(14)	-
Other Income	-	-	-	-
Loss from extinguishment of debt	428	-	428	-
Net change in working capital:				
Accounts receivable	24	(44)	34	(107)
Other receivables	76	(137)	85	(97)
Accounts payable and accrued liabilities	86	(229)	349	(85)
Taxes payable	(9)	(26)	(18)	(46)
Contract liabilities	-	(170)	(2)	-
Net cash generated (used) in operating activities	\$ (312)	\$ (469)	\$ (676)	\$ (279)
INVESTING ACTIVITIES				
Additions to capitalized software costs	(89)	(40)	(150)	(81)
Additions to property and equipment	(7)	(6)	(26)	(6)
Acquisition of E&A	(2,700)	-	(2,700)	-
Acquisition of Kairos	(150)	-	(150)	-
Receipts on notes receivable	2	1	3	3
Net cash generated (used) in investing activities	\$ (2,945)	\$ (45)	\$ (3,023)	\$ (84)
FINANCING ACTIVITIES				
Net receipts on debt	3,013	1,850	3,263	1,850
Net payments on debt	(2,794)	(661)	(2,866)	(725)
Receipts of common share issuances, net	3,216	-	3,216	-
Lease payments	(50)	(75)	(85)	(151)
Net cash generated (used) in financing activities	\$ 3,385	\$ 1,114	\$ 3,528	\$ 974
Net (decrease) increase in cash	128	600	(171)	611
Cash balance, beginning of the period	393	722	692	711
Cash balance, end of period	\$ 521	\$ 1,322	\$ 521	\$ 1,322

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Operating Activities

During the three and six months ended June 30, 2023, the Company used a total of \$312 and \$676 cash on operating activities (for the three and six months ended June 30, 2022 – used \$469, and \$279) related to the net loss and comprehensive net loss, payments of tax liabilities, increased accounts receivables and increased accounts payable balances. Accounts receivable decreased despite the increased revenues as a result of the recent acquisitions of E&A and Kairos through improving the efficiencies of the Company's collection efforts. Cash used in operating activities was partly offset by higher non-cash expenses, including depreciation and amortization and share based compensation. For the six months ended June 30, 2023, G&A expenses decreased by \$158 versus six months ended June 30, 2022. This decrease is driven by a \$221 decrease in processing fees, \$243 increase in professional expenses (mostly related to acquisition and financing charges), \$118 decrease in public company expenses (due to decreased investor relations services) and \$36 decrease in software and IT expenses. The largest use of cash was for payroll. In addition, the Company is investing into additional professional staff and administrative staff as it scales the enterprise, thus as further accretive acquisitions are completed, these costs will diminish as a percentage of revenue as economies of scale are achieved while new revenue is generated via KovoCloud.

Investing Activities

During the three and six months ended June 30, 2023, net cash used in investing activities amounted to \$2,945 and \$3,023 (for the three and six months ended June 30, 2022 – \$45 and \$84). Cash used in investing activities related to the acquisition of E&A for \$2,700 on April 20, 2023, the acquisition of Kairos for \$150 on June 6, 2023, additions to capitalized software costs of \$89 and \$150 (for the three and six months ended June 30, 2022– \$40 and \$81), and capitalized hardware fees of \$7 and \$26 (for the three and six months ended June 30, 2023 – \$6 and \$6). The Company also received cash receipts on notes receivable of \$2 and \$3 (for the three and six months ended June 30, 2022 – \$1 and \$3).

Financing Activities

During the three and six months ended June 30, 2023, net cash generated for financing activities totaled \$3,385 and \$3,528 (for three and six months ended June 30, 2022 – generated \$1,114 and \$974) of which \$3,013 related to the receipt from the Avonlea loan, \$250 related to the receipt of a note receivable and \$3,216 the receipt of issuance of common shares. Offset by payments on debentures in the amount of \$2,866 and payments on leases at \$85. No other new financing activities occurred during the year.

Liquidity and Capital Resources

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

In regard to capital resources, the Company continuously invests capital expenditures into its software platform. The capital expenditures are limited to software development staff and software consultants. These expenses for the three and six months ended June 30, 2023, totaled \$89 and \$150 (for the three and six months ended June 30, 2022 - \$40 and \$81). The software development related payroll expenses are committed; however, the Company could reduce staffing if necessary to meet its working capital needs while ensuring no loss in services to its customers. The Company does not have any other significant capital expenditure commitments. The Company sourced financing through debt, equity and government loans as needed to meet its working capital requirements. The Company has also raised equity when appropriate and as required to support the growth of its operations.

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

Use of Proceeds

The Company raised debt and equity to complete its two acquisitions in 2023 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.

Accounts Receivable

As at June 30, 2023, accounts receivable was \$262 (December 31, 2022 - \$275). The Company evaluates credit losses on a regular basis based on the aging and collectability of its receivables. For the period ended June 30, 2023, the Company had an allowance for doubtful account balance of \$58 (December 31, 2022 - \$71). Accounts receivable decreased despite the increased revenues as a result of the recent acquisitions of E&A and Kairos through improving the efficiencies of the Company's collection efforts

On November 1, 2022, the Company entered into a two-year IP licensing agreement of which \$125 is included in accounts receivable and \$14 in long term accounts receivable.

Right of Use Assets

See Note 6 of the Company's unaudited condensed consolidated financial statements for details of movement in the Company's right-of-use assets during the three and six months ended June 30, 2023. Also, see Note 9 of the Company's unaudited condensed consolidated financial statements for further details. The three leases remaining related to the right-of-use assets include three office leases, for Cvikota and E&A.

Goodwill and Intangible Assets

Goodwill represents the excess for the price paid for the acquisition of an entity over the fair value of the net identifiable tangible and intangible assets and liabilities acquired. The Company's goodwill balance as of June 30, 2023 is attributed to the RPM, Midwest, Cvikota, E&A, and Kairos acquisitions.

Intangible assets include software development costs capitalized over a three-year useful life. In addition, the Company has customer lists acquired from the RPM, Midwest, Cvikota, E&A, E&A and Kairos transactions which it amortizes over a ten-to-fifteen-year useful life.

Contract Liabilities

Contract liabilities represent the deferred revenue that the Company will realize upon completion of key milestones for software development and other projects greater than one fiscal year.

As of June 30, 2023 the Company had \$nil of contract liabilities (December 31, 2022 - \$2). Contract liabilities consist mainly of fees invoiced or paid by our clients for which the associated services have not been performed and revenues have not been recognized by the Company of each period end.

Contractual Obligations

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	1,193	-	-	-	1,193
Debts	3,529	506	355	2,892	7,282
Lease liabilities	204	120	100	-	424
	4,926	626	455	2,892	8,899

The Company has operating leases for its offices in Eau Claire Wisconsin, La Crosse Wisconsin, and Phoenix Arizona. The lease in Eau Claire ends on October 31, 2024. The lease in La Crosse ends on October 31, 2024. The lease in Phoenix ends on September 30, 2026. Another lease, a Data center lease, ended on January 31, 2021, and the Company resides on a month-to-month basis subsequently. On June 10, 2023, the Company entered an insurance policy for a twelve-month period for an aggregate amount of \$168, or approximately \$14 per month.

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The debt obligations are several loans to various parties. All loans are in good standing and the Company continues to make regular monthly payments as required. 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.

Key Management Compensation

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, 2023, key management personnel compensation comprising of salaries and equity totaled \$321 and \$457 (for the three and six months ended June 30, 2022 - \$443 and \$784).

SUBSEQUENT EVENTS

Subsequent to the six months ended June 30, 2022, but prior to the release of these financial statements, there has not been any subsequent events that would have a significant impact on the Company's Condensed Consolidated Interim Financial Statements.

Reconciliation of Non-IFRS Measures

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

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

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

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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.

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 Kovo Inc. (Formerly MedWorxs Inc.) 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 103 US based employees, of which we have entered executive employment contracts with Greg Noble (CEO) and Jeana Noble (CCO)). We rely on fractional contractors for some key positions, specifically Inder Saini (CFO), has a vendor contract.

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.

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

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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 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.

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.

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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.

Going Concern

The 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 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 six months ended June 30, 2023, the Company incurred a loss from operations of \$1,275 (June 30, 2022 – loss of \$158), and a net loss of \$2,172 (June 31, 2022 - net loss of \$549) and cash used in operating activities of \$676. As at June 30, 2023, the Company had a working capital deficit of \$3,400 and an accumulated deficit of \$8,431. 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. 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.

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.