

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
OF THE COMPANY'S FINANCIAL CONDITION AND RESULTS OF OPERATIONS  
FOR THE THREE MONTHS ENDED AUGUST 31, 2017**

**FORM 51-102F1**

**Date and Subject of Report**

The following Management Discussion & Analysis ("MD&A") is intended to assist in the understanding of the trends and significant changes in the financial condition and results of operations of Certive Solutions Inc., and/or Certive Technologies Arizona Inc. ("Certive" or the "Company") for the quarter ended August 31, 2017. The MD&A should be read in conjunction with the audited annual financial statements of the Company as at May 31, 2017. The MD&A has been prepared effective October 30, 2017.

**SCOPE OF ANALYSIS**

The following is a discussion and analysis of the Company, which was incorporated on June 11, 2010, under the laws of the Province of British Columbia. The Company's head office is located at 1140-1185 West Georgia Street, Vancouver, B.C., V6E 4E6. The Company reports its financial results in U.S. dollars and under International Financial Reporting Standards.

**Overview**

During the three months ended August 31, 2017 and the subsequent period up to and including the date of this MD&A, a number of significant and material events occurred, which are summarized in this overview and discussed in more detail elsewhere in the MD&A. All amounts expressed herein are in U.S. dollars.

Effective May 31, 2017 the Company executed a definitive agreement which became effective on June 1, 2017, the first day of the 1st quarter of fiscal 2018, to sell its Titan Division assets back to the founding principals of Titan Health Management Solutions Inc. The consideration for sale is set out more particularly in other sections of the MD&A. The transaction was recorded in the audited financial statements as at May 31, 2017, in accordance with IFRS reporting requirements, however the effective date of the sale was June 1, 2017. The comparative quarter ended August 31, 2016 is reported herein along with the results of operations for the quarter ended August 31, 2017, which numbers do not include any operational results of Titan, given the effective date of the sale being June 1, 2017.

**Summary of Current Corporate and Financial Status**

Effective June 1, 2017, the Company sold its Titan Division as noted elsewhere in this MD&A. The effect of the sale is that comparative revenues for the quarter ended August 31, 2017, as compared to the reported revenues for the quarter ended August 31, 2016 are materially lower.

With the sale of the Titan Division, the Company intends to focus on scalable growth in the Lost Charge Recovery segment of revenue cycle.

With the sale effective June 1, 2017, the Company has utilized the 1<sup>st</sup> quarter of fiscal 2018 to accomplish several significant milestones which are not reflected in the financial performance of the Company at the date of this MD&A. These initiatives are associated with a complete re-branding of the business including, updating the Company's web presence, identifying target customers that can be reasonably closed within the following three months, specific cost containment measures both at the operational level and corporately to conserve cash for sales and marketing activities and an investiture in human capital and current technologies to ensure the relevancy of our services to customers.

Onboarding our new Chief Growth Officer is a key to the strategies we will deploy over the following 9 months with the goal to achieve consolidated net profitability and equity valuations consistent with our expectations. The targeted hire is a seasoned healthcare professional with years of experience in the development and implementation of sales and marketing strategies for his own enterprises and those of large enterprises in US healthcare.

Although the divestiture of Titan appears to have significantly impacted upon the gross revenues of the Company, management advises that the impact of the sale will have the following positive effects during Q2 to Q4.

a) Minimization of expenditures for onboarding and infrastructure related to new Omega business based upon projected margins. We intend to identify areas of cost containment during the development period and to re-deploy Omega support staff to profit center based activities.

b) Clearly focused initiatives to secure near-term revenues that with identified targets. There are ten facilities in the target group. Not one of them significantly impact the viability of the enterprise, but together will contribute to the monthly income.

c) The goal to achieve consolidated positive cash flow by May 31, 2018 via a variety of means, all of which are dependent upon connections to key decision makers in our targeted markets and the ability to sell multiple service offerings to each potential customer at the outset. These offerings will emerge from previous relationships designed to offer our customers a full service revenue integrity offering.

d) Initially targeting critical access hospitals where the Company has a proven expertise and where the cost of engagement is minimized. Many of these facilities are located in remote geographic regions which makes them ideal for out of network charges.

### **Material Events That Occurred During the Quarter Ended August 31, 2017**

1. On July 3, 2017, Company entered into a Settlement Agreement and Mutual Release with Titan Health Management Solutions Inc., that became effective June 1, 2017. As a result of that Agreement, the Company and its wholly owned subsidiary, Certive Technologies Arizona Inc. agreed to provide a full release and reconveyance of any interest that they

owned or claimed to own in business division owned by the Company known more particularly as Titan Health Management (the Business) and the assets related thereto including the assets scheduled here, for and in consideration of the following;

- a) Release of \$100,000 of funds held in escrow pursuant to a letter agreement executed on June 1, 2017 where the parties agreed to deposit \$124,000 into an escrow account with a mutually agreed independent escrow agent. The funds were transferred from the Joint Operating account of the Company by mutual consent. The remaining \$24,000 was release to Titan Health Management Solutions Inc.
- b) Return to the Company's treasury of 8,250,000 common shares of Certive that were allotted but not issued at a deemed value of \$0.30 per share or \$2,476,500. The shares were allotted but not issued at the request of the principals of Titan Health Management Solutions Inc. for taxation purposes.
- c) Delivery to the Company of 766,667 common shares of the Company which were originally issued to Titan Health Management Solutions Inc. on December 1, 2015 as part of a private placement in settlement of certain obligations of the Company to Titan Health Management Solutions Inc. The shares were returned at a deemed price of \$0.30 per share or \$230,000. The shares have been returned to the treasury for cancellation.
- d) Delivery of 1,474,000 common shares of the Company originally issued to Saurus Consulting Group LLC, an Arizona limited liability company on March 10, 2014 as part of a private placement by Saurus into the Company. The shares were returned at a deemed price of \$0.30 per share or \$442,200. The shares have been returned to the treasury for cancellation.
- e) Forgiveness of a non-convertible note in the amount of \$208,000 dated July 2, 2014 between the Company as maker and Titan Health Management Solutions Inc. as holder.
- f) Assumption by Titan of all assumed liabilities as scheduled in the agreement.

### **Material Events That Occurred Subsequent to the Quarter Ended August 31, 2017**

1. Effective September 15, 2017, the Company entered into a consulting agreement with a highly recognized health care sales and marketing executive to finalize the establishment of a position of Chief Growth Officer for Certive Technologies Arizona Inc. This engagement will include an analysis of the product mix, sales and marketing activities and other related operational capacity at Omega Technology Solutions as well as any other subsidiary operations at Certive.
2. On September 25, 2017 the Company reached agreement with Midwest Insurance Consultants LLC of Minnesota to make strategic introductions to hospitals throughout

Minnesota, Florida, Wisconsin, Iowa, North Dakota, South Dakota and Texas, for which they have direct contacts to further the sale of Omega's Lost Charge Recovery Product (Charge Accuracy and Chart Review). A selected group of these hospitals have been targeted based upon the quantifiable opportunity revealed by assessing independently reported data on American Hospital Directory (AHD).

### **Summary of Corporate Status as at August 31, 2017**

Effective June 1, 2017, as noted above the Company entered into a settlement agreement wherein by way of mutual release the Company re-conveyed the assets and liabilities of its Titan Division to Titan Health Management Solutions Inc. for the consideration as also noted above.

Commencing, June 1, 2017, the Company's operating divisions are Omega Technology Solutions Inc. and Knowledge Capital Alliance Inc. Omega and KCA are wholly owned subsidiaries of the Company.

Omega's positioning in the revenue cycle market and management's strategic plan for growing Omega and the anticipated results of the strategic plan are discussed elsewhere in this MD&A.

As of the date of this MD&A, the Company's status is summarized as follows:

1. Results of Operations for the quarter ended August 31, 2017 are summarized as follows:

|                   | <u>Omega</u>   | <u>KCA</u>    | <u>Total</u>   |
|-------------------|----------------|---------------|----------------|
| Revenues          | \$337,300      | \$100,261     | \$437,561      |
| Operating Costs   | <u>241,179</u> | <u>94,123</u> | <u>335,302</u> |
| Gross Margin      | 96,121         | 6,138         | 102,259        |
| Expenses          | <u>225,674</u> | <u>11,401</u> | <u>237,075</u> |
| Net Income (Loss) | (129,553)      | ( 5,263)      | (134,816)      |

The Company has initiated two significant new activities in its sales and marketing strategy as follows;

- a) On September 25, 2017, the Company reached agreement with Midwest Insurance Consultants LLC of Minnesota, to make strategic introductions to hospitals throughout Minnesota, Florida Wisconsin, Iowa, North Dakota, South Dakota and Texas, for which they have direct contacts to further the sale of Omega's Lost Charge Recovery Product (Charge Accuracy and Chart Review). A selected group of these hospitals have been targeted based upon the quantifiable opportunity revealed by assessing independently reported data on American Hospital Directory (AHD).
- b) Effective September 15, 2017, the Company entered into a consulting agreement with a highly recognized healthcare sales and marketing executive to finalize the establishment of a position of Chief Growth Officer for Certive Technologies Arizona Inc. This engagement will include an analysis of the product mix, sales and marketing activities and other related operational capacity at Omega Technology Solutions as well as any other subsidiary operations at Certive.

With the divestiture of the Titan division, all capital resources will be directed towards;

- a) Sales activities throughout the United States where the Company has C level access to administrators, supported by our new relationship with connectors such as Midwest Insurance Consultants LLC and;
- b) Support the infrastructure necessary to enable rapid growth. Insofar as all gross revenues for the Omega division are highly accretive to EBITDA and insofar as the division is highly scalable, it is the Company's goal to attain profitability from this division and to be focused on its potential for the near term.

Management has concluded that with effective access via connectors to senior hospital executives and revenue cycle executives that the Company can achieve the goals set out in the detailed projections.

## **FORWARD LOOKING STATEMENTS**

The information set forth in this MD&A contains statements concerning future results, future performance, intentions, objectives, plans and expectations that are, or may be deemed to be, forward-looking statements. These statements concerning possible or assumed future results of operations of the Company are preceded by, followed by or include the words ‘believes,’ ‘expects,’ ‘anticipates,’ ‘estimates,’ ‘intends,’ ‘plans,’ ‘forecasts,’ or similar expressions. Forward-looking statements are not guarantees of future performance. These forward-looking statements are based on current expectations that involve numerous risks and uncertainties, including, but not limited to, those identified in the Risks Factors section. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are reasonable, but any of which could prove to be inaccurate. These factors should be considered carefully, and readers should not place undue reliance on forward-looking statements.

In this MD&A, the Company has specifically noted the forward-looking nature of comments where applicable. Generally, readers should be aware that forward-looking statements included or incorporated by reference in this document include statements with respect to:

- a) The Company’s near term organic growth strategy is based upon the scalability of Omega operationally and the ability to access key decision makers such as CFO’s and revenue cycle executives in targeted hospitals. The connector process is a primary sales tool for the Company.
- b) The identification of selected acquisition targets that complement the core business is a key factor that will impact growth. The Company has identified targeted opportunities in the analytics sector of U.S. healthcare that both complement current service offerings or provide the potential create new offerings by combining intrinsic resources.
- c) The identification of new lines of business within revenue cycle management for U.S. hospitals that are unique and provide value added benefit for hospital administrators.
- d) The ability to cross-sell different services between and among the Company’s customers resulting from selected acquisitions.
- e) Expectations of both divisional profitability and comprehensive corporate profitability for the consolidated enterprise.
- f) Expectations regarding the ability to raise capital to fund increasing working capital requirements and achieve sustainable near and long-term growth. Partially cash funded acquisitions may lead to substantial dilution if the majority of the acquisitions are stock based.
- g) The Company must be mindful of a downward move by upper market tier participants who recognize the opportunities in the tier 3 highly fragmented market space.
- h) The Company must assess the relative risk associated with acquisition size, category of revenue integrity services provided and the need for working capital to support the growth of each acquisition.

- i) The Company must be mindful and reactive to disruption in the U.S. healthcare markets and target, both acquisition opportunities and internal growth with a focus on this disruption to achieve maximum rates of return on internal cash.
- j) As the Company expands its service offerings, it will need to ensure that there is a constant vigilance over new and changing regulations that will impact the ability to remain compliant.

## **General History**

The following is a chronological description of the Company's history and the basis for its entrance into the revenue cycle management ("RCM") sector of the U.S. healthcare industry:

- The Company changed its name to Certive Solutions Inc. in October 2013 to pursue sales and marketing opportunities as a business process management provider focused on revenue lifecycle management in the U.S. healthcare industry. The Company's Chairman at that time, Mr. Shackleton, was instrumental in bringing mission critical expertise to the Company. Mr. Shackleton resigned from the Board for personal reasons during the year.
- In late 2013 and largely due to a market assessment performed by management in the fall of 2013, the Company narrowed its strategic focus to the provider side of the U.S. healthcare industry and specifically to U.S. hospitals, who wrote off between 3% and 15% of their total revenues to denied claims for a variety of reasons.
- In March 2014, the Company entered in to a strategic relationship with Titan, a company with over twelve years of domain expertise supplying revenue cycle management services on an outsourced basis to U.S. hospitals. The Company's technology and capital formation expertise combined with Titan's knowledge of the many opportunities in revenue cycle management, led to a logical partnership. Ultimately this led to the Company's acquisition of the Titan assets in July 2014 and the integration of Titan's management team and staff into the Company's operations. During the last fiscal quarter, , the Company and the Titan principals concluded that the goal objectives associated with the zero balance business, operated by the Titan principals was incongruent with the long term strategic plan for the Company and accordingly the agreement for the Titan principals to repurchase the assets acquired by the Company was determined to be the most equitable way to minimize the Company's expected future capital commitment to the division and yet not minimize the opportunity for the Titan principals. (See other sections of this MD&A for additional disclosure).
- The acquisition of the assets of Knowledge Capital Alliance Inc. (KCA) closed on August 31, 2014. Certive recently completed the acquisition of 100 percent of the equity in Knowledge Capital Alliance ("KCA") effective March 13, 2017. This transaction was a restructuring of the asset acquisition of KCA referred to above. It was determined that the acquisition of the equity of KCA will be complementary to the organizational structure of Certive and the KCA brand. The equity of KCA was purchased in consideration for a total

of 1,350,000 common shares of Certive at a deemed value of US\$0.30 per share. Certive's guarantee of an outstanding note to a KCA shareholder in the amount of US\$256,000 was also forgiven. KCA provides business process management solutions to public health departments at both the state and county level. KCA has developed an automated dashboard tool set and workflow technology that will be offered to over 2800 public health organizations throughout the United States. Moreover, the principals of KCA supports the Company's consultative efforts as it seeks out new lines of business within revenue cycle management of U.S. hospitals. During the past two years, KCA has steadily enhanced its delivery of process management solutions to state and county governments, particularly specializing in business process management for public health-related matters through the implementation of cloud-based applications. This has significantly improved KCA's product offerings to agencies throughout the United States.

During the past year, KCA has been focused on selling its VMSG Dashboard branded performance management system to public health departments in the United States. The VMSG Dashboard is a performance management system designed specifically to assist public health departments in the development, implementation and performance management of the Strategic and Operational Planning process. The Dashboard facilitates quick and accurate planning changes and is designed to allow both internal and external users to keep their plans up-to-date in real time. For public health departments seeking PHAB accreditation, the VMSG Dashboard has been designated as "fully demonstrated" by the Public Health Accreditation Board for Standard 9.1 applicable to most U.S. public health departments. KCA's customer base has grown from 27 health departments in 10 states to 55 health departments in 17 states in just over 10 months, and the opportunity pipeline has grown significantly from 45 to over 160 public health departments with an expected 300% increase in potential annual revenues. The VMSG Dashboard is a software as a service (SaaS) recurring revenue business model. As new public health units license the VMSG Dashboard, the recurring revenue grows. An additional benefit as SaaS provider is KCA can continuously upgrade its service to all clients, responding quickly to the client's changing needs. The U.S. healthcare market is changing as reform initiatives drive to lower costs, improve outcomes, and improve the general health of the population. U.S. public healthcare departments will work more closely with local care providers which Certive believes will provide opportunities for expanded services for both Certive and KCA. As KCA expands its presence throughout the nation, it is also expanding its presence at major annual conferences such as the National Association of City and County Health Officials which is attended by over 1,300 public health leaders. Recently the Company was invited to present to 44 health departments at TACCHO conference in Austin, Texas.

- On July 15, 2015, the Company acquired the assets of Omega Technology Solutions LLC (Omega). With the acquisition of Omega, the Company has a technology base and the ability to provide charge capture services on a retrospective and prospective basis. There are a total of 1,500 targeted hospital in the U.S. that have applicability to the service offering. Each target has been assessed based upon Omega's proven assessment analytics using commercially available and reported data on the hospital targets on AHD. Omega has made a significant investment in revenue integrity analytics technology that is the foundation for its delivery of revenue services and cloud products that identify revenue

opportunities and address compliance issues. Omega's solutions deliver real-time analysis and capture of unidentified charges not captured by the hospital, and prevention of charging and billing issues that reduce or delay reimbursement. Additional services offered include comprehensive claims analysis for coding integrity, and revenue leakage prevention. Omega collects zero balance claims from the hospital system up to 2 years. Those claims are compared to the patients' medical record by our RN auditors. The auditor then looks for missing charges, coding or compliance errors. Omega's in-house billing department then directly bills the insurance company based on the findings (unless the hospital system prefers to do their own billing). The hospital system receives payment directly on the billed charges. Omega performs follow-up and dispute resolution for claims submitted. In addition to finding revenue, Omega routinely educates the hospital and its staff on its findings. Omega provides detailed monthly reports of its findings in conjunction with periodic meetings to discuss specific patterns and problems, establishing a process to prevent losses from occurring in the future. Omega goes back two years with its clients in the auditing process, and prepares them for their future through preventative training and education. The Lost Charge Recovery system has no upfront cost, no risk and only an upside potential for the hospital.

### General Comments on the Company and its Current Business in Revenue Cycle Management for U.S. Hospitals

#### REVENUE CYCLE MANAGEMENT FOR HOSPITALS – A DEFINITION

All healthcare providers depend on three types of payment sources: self-pay by the patients, insurance company benefit payments and government-based programs (principally Medicare and Medicaid). The process of billing and collecting such payments has grown more complex over the years as insurance and governmental programs have become more intricate. Uninsured and the higher deductible insurance policies have forced a greater need to collect payments directly from patients. Many hospitals lack the technical sophistication to adequately bill and collect from these various payment sources.

Revenue Cycle Management ("RCM") systems have developed over the past twenty years to address these needs of hospitals and other healthcare providers. The RCM process is composed of the following segments:

- Scheduling and Eligibility
- Pre-Registration and Financial Clearing
- Admitting, Registration
- Point of Service Charge Capture
- Case Management
- Coding
- Pre-billing and Billing
- Submission to Payers – Patient and Third-Party Payers
- Payment Posting
- Denial and Payment Analysis

- Self-Pay and Collections

The Company provides revenue cycle services to U.S. hospitals. Certive identifies categories of opportunity within the traditional revenue cycle for hospitals and on an outsourced basis provides effective recovery of revenue on claims that are retrospectively assessed as underpaid or missed in the billing process. The goal is to optimize reimbursement, increase operational efficiency, and minimize the cost of compliance risk for Certive's customer.

Certive Solutions Inc. operates its wholly owned subsidiary Certive Technologies Arizona Inc. ("Certive Arizona"), an Arizona corporation, located in Scottsdale, Arizona. Under Certive Arizona there are two operating units, Knowledge Capital Alliance Inc. ("KCA"), and Omega Technologies Solutions Inc. ("Omega").

#### CERTIVE ARIZONA'S RCM PLATFORM

Certive Arizona has developed a business plan to provide a comprehensive platform to deliver individual and coordinated services for the segments of RCM following the delivery of healthcare services: Coding through the Self-Pay / Collections segments. At present, Omega provides service offerings in the following areas:

##### Charge Accuracy Audits

This includes audit of patient charts against the medical record to capture charges for services that were performed but not billed to payers. Fees are based on a percent of the lost charges that are recovered.

##### Claim Audit and Recovery services.

This includes the retrospective review of payments made from payers based on the contracts – this identifies underpayments based on improper billings by the hospital, improper contract interpretation by the payers and appeals of claim denials. Fees are usually based on a percentage of additional revenues paid to the hospital as a result of the audits and appeals.

Identifying new opportunities not easily identified by other participants in revenue cycle is a distinguishing characteristic of Certive which remains the key undertaking of the Company. Leveraging trusted relationships that have matured over many years with all Certive's customers, is a key component of the long-term strategy. Defining a positive future for the challenges facing U.S. healthcare and, in particular revenue recognition, will be predicated not only upon services to providers and payers alike, but also defining the new information landscapes that will emerge and providing technology toolsets that enable managers of large hospital systems to better predict financial outcomes for services rendered. Certive continues to approach its customers with this unique culture and identity.

Certive intends to selectively grow its access to new customers through acquisition of companies that provide services to hospitals that are much needed and relate to the increasing urgency to

identify better overall outcomes on reimbursement. The footprint alone is merely a starting point. With a growing customer base, the Company can sell more services to its customer base and cross sell offerings between and among those customers and develop analytical tools to mitigate three primary risks associated with any provider business:

- Eligibility/Enrollment Risk
- Patient Services Risk
- Collection Risk

The opportunity is to use the Company's analytical capabilities to identify missing information links in the revenue cycle, disrupted by ICD 10, and to create new service and product offering uniquely tailored to the changes impacting healthcare delivery and payment.

Certive has an Advisory Council, with members that cumulatively have credentials which are unrivaled in the U.S. healthcare market. Each Advisory Council member will be given a special project associated with Certive's strategic and tactical plans, together with time lines for completion.

The purpose of the Advisory Council is to provide direction, guidance and special project based support to management in the design and implementation of business strategies aimed at creating overall near and long-term enterprise value. The Advisory Council was formed specifically to assist management and the Board of Directors in determining the best strategies to effect growth in an ever-changing U.S. healthcare market. Current members of Certive's Advisory Council are:

- Dr. Arthur Pelberg, an internal medicine specialist, served as the President and Chief Medical Officer of Schaller Anderson from 1999 to 2007 and brings to the Company rich clinical and senior level healthcare operations experience.
- Fred Hatfield, formerly CEO and COO of Aetna Medicaid and head of acquisition integration for Schaller Anderson.
- Tim Hyland, former CFO of Schaller Anderson.
- Tom Marreel, formerly senior vice president of Schaller Anderson.
- Steve Schramm, the founder of Optumas, an actuarial analysis organization for large healthcare purchasers. Mr. Schramm's background brings to Certive the knowledge to use sophisticated actuarial and analytics toolsets that derive meaningful provide its customers with meaningful information health data.
- Jeffrey Benton is currently the managing director of Fairfield Advisors, a hedge fund specializing in market structure arbitrage and volatility strategies. Mr. Benton brings to the Advisory Council years of experience in the translation of business operating strategies to investment information and tools that will, in Certive's case, serve to better enable effective investor relations communications. Mr. Benton is a distinguished and highly regarded member of the U.S. investment community, having served on a number of New York Stock Exchange committees over the years. Mr. Benton is a former Governor of the New York Stock Exchange.

- Don Gilbert has extensive background in healthcare, particularly in the State of Texas where he served as Secretary of Health and Human Services under Governor George W. Bush.
- Michael Marshall, CEO of e5 Workflow Inc. joined the Advisory Council in December 2015 and provides to Certive, operational capabilities in revenue cycle management with hands on expertise in all aspects of this industry.
- Bob Uxa - Bob Uxa is an accomplished professional with over 35 years of experience, internationally, in the aluminum industry where he developed and implemented new strategic plans for commodity marketing, procurement and risk management for one of the world's largest brewers and recyclers. Mr. Uxa pioneered commodity sourcing from Russia, India, the Middle East and South America for U.S. Manufacturers and was at the leading edge of product line expansion for the aluminum industry.
- William Dagher is a healthcare professional and revenue cycle expert.

The Company's mission is to demonstrate through execution, operational excellence in identifying, billing and collecting missed charges through an audit and collection process that blends unique technologies and workflow tools together, thus providing usable billing related information and enhancing integrated collection results for customers.

Members of the Advisory Council have all invested in Certive and are committed to assisting in charting its course through growth by acquisition and organically.

## **The Company's Business**

The Company is a Scottsdale based, British Columbia domiciled, reporting issuer, publicly traded on the Canadian Securities Exchange (CSE: CBP). Effective September 16, 2014 the Company's shares began trading on the Frankfurt Exchange (FWB: 5CE) and on July 15, 2015, the Company's shares were quoted on the OTCQB Capital Markets in the United States under the trading symbol "CTVEF". The Company has two wholly owned subsidiaries; Advantive Information Management and Certive Technologies Arizona Inc., each operating as independent subsidiaries.

## **Description of the Business**

### Executive Summary - The Business

Certive principally provides charge accuracy services that support revenue cycle management in the central business offices of U.S. hospitals by targeting revenue categories where reimbursement recoveries can be secured through a combination of highly skilled clinical staff and proven workflow tools.

During the fiscal year ended May 31, 2017, the Company engaged in both the recovery of denied claims and the recovery of amounts that were never billed to the insurance company (Lost Charge Recovery). Up to that date, the majority of all denied claims recovery was undertaken by the Titan Division, although the Omega Division regularly provided these services but they did not brand

themselves directly as a Denial Management enterprise. With the departure of Titan, the Company will continue to offer these services but as an integral part of the Omega category of business.

The U.S. healthcare market is highly disruptive and currently accounts for in excess of 30% of the U.S. GNP. Current challenges to the Affordable Care Act, specifically reform, and changing reimbursement models add fuel to this disruption. As provider solvency issues grow, increased government scrutiny will force new costs upon an already choking system. As increased copays and deductibles put more responsibility on the patient, the self-pay component of provider revenue continues to rise making providers concerned for their future. C-level hospital and physician group executives not only need better business process management tools to equip them for survival, but more importantly, a focused new solution for this specific need. The need for relevant information that defines operating risks is becoming increasingly more important. Access to information immediately prior to the delivery of service, derived from already existing data that quantifies patient financial risk, patient service risk and patient collection risk, will become the holy grail, as this disruption determines who will survive.

The delivery of healthcare is becoming consumer-centric. Certive's goal is to be strategic in its acquisition plans and organic growth-based business model to enable Certive to take advantage of this change. If Certive can improve the financial performance of its U.S. hospital clients, Certive will be a leader in this industry. By targeting accretive acquisitions that expand Certive's customer reach with services that are needed for success and leverage its presence for organic growth, the Company will rise above its competitors. Using analytics and Certive's vast database of historical data, the Company will create unique relevant operating models for its customers to that address the fundamental risks associated with running any hospital. With that, the value of Certive will grow.

Certive is a nimble company, rich in domain expertise with a clear vision of the U.S. healthcare landscape. Market forces will naturally identify new and aggressive rainmakers, unchained and reactive, that improve the management of provider financial viability. Certive is positioned to be a leader with over 300 cumulative years of U.S. healthcare expertise on its Advisory Council, each member having engaged with the Company in special projects associated with the goal of delivering this comprehensive service offering to U.S. hospitals.

Certive specializes in recovering cash for hospitals by auditing patient charts and comparing them to the medical records to discover items and services performed but never billed to the insurance carriers. Certive's has over 20 years of experience providing these services and with that, access to vast quantities of retrospective data from which to develop the analytical tools necessary to effectively manage risk.

### **Certive Technologies Arizona Inc. a wholly owned subsidiary of Certive Solutions Inc. (CTI)**

CTI is an integrated health care consulting and revenue cycle management company focused on providing revenue cycle management services and tools to U.S. health care providers and payers,

with the core objective of minimizing the financial risks associated with the delivery of health care all within a disruptive and ever- changing environment.

CTI owns and operates a charge accuracy and chart review business located in Ft. Lauderdale, Florida, known as Omega Technologies Solutions Inc. Utilizing proprietary software and skilled nurse auditors, Omega audits hospital bills that have been previously scrubbed by standard software programs, compares the audit findings to the original bill sent to the payer, and identifies lost charges retrospectively over a two-year historical period. Omega has over 20 years experience conducting these audits and has developed standard protocols with predetermine the extent to which any hospital facility may have pools of lost charges that were never billed to the payer.

CTI intends to expand its presence in revenue cycle management by acquiring additional and complementary enterprises focused on the identification, quantification and management of financial risks associated with the delivery of health care services and improving the efficiency of that delivery

CTI intends to expand its presence in the revenue cycle management segment by incrementally developing five additional and complementary solutions and bundle them into a single platform for efficiency and accuracy. New lines of business focused on the financial risks and outcome risks of health care not only for today's fee-for-service model, but will accelerate and enable key aspects of healthcare reform. These lines of business will be built using of a combination of current capabilities, development of sophisticated new analytical models on top of our current capabilities, and strategic acquisitions. These solutions will not only capture the leakage in the system but will provide defined process improvements in several niche areas to solve the root cause of the problem. The program will be led by one of Certive's Advisory Council members who has over 28 years' experience in healthcare and is founder and owner of a well-known healthcare analytics and actuarial services company and is focused on healthcare reform for State Medicaid programs. His firm holds the position as the second largest actuary of record to individual States in the U.S.

As part of the plan, CTI has defined and will implement a best in class a digital web presence to attract investors, clients, and potential acquisition or partner candidates. This digital marketing program is designed to communicate more about the company and its core vision to attract people who bring accretive talent, ideas, or their companies for Certive to evaluate for potential acquisition.

## CTI's Differentiator



The Company has assembled an outstanding Advisory Council consisting of over 15 experienced senior healthcare executives who have built, lead, and sold significant enterprises in the healthcare market, and possess broad complimentary skills. The Advisory Council, their network of executive leads, subject matter experts, and the extended network of experienced healthcare talent at the “doer” level is Certive Tech’s differentiator.

### Competitive Landscape:

There are three categories of competitors: a) In-sourcing by Certive’s target hospital clientele; b) indirect competitors that offer technology solutions, and c) direct competitors that offer services.

- a. Hospital In-Sourcing: This is the status quo. Hospitals do not have the internal resources and efficiencies to do this alone and have long relied on vendor relationships to help manage through the complex reimbursement and revenue cycle process and this will not change. Increasing complexities, reduced reimbursement, focus on outcomes, rising costs of care, consolidation, and changes in the regulatory environment have resulted in increased financial pressure on the hospitals and the need for improved efficiency. All this results in an increased market opportunity for vendors who can deliver.
- b. Indirect Technology Vendors:
  - i. Several vendors such as MedAssets, Craneware, etc. provide technology solutions that attempt to solve the hospitals problems. Hospitals, however, are resistant to further reinvestment in more “systems” and need to have their problems solved, when in fact, these solutions actually contribute to the problem by often reducing claim value allowing greater leakage to occur. Often, hospitals are frustrated with pure technology solutions as, in the absence of a strong service component, they fail to deliver on the promised value proposition.

- ii. Large health information management (HIM) providers such as Cerner and Epic are technology suppliers to the industry that are seeking to add a viable service component to their revenue models. In the absence of acquisition strategies, they are unlikely to move fast enough to catch the changing landscape in the services model. They do however possess unique access to new customers and every implementation of the systems raises a large revenue leaking issue for the hospital that must be addressed. Certive on the other hand, is a service company with net free cash flow that can quickly adapt to change and identify risk management solutions that become useful “extenders” to the current services offering of these providers. Certive then becomes a very important piece of the puzzle to these competitors who are ill equipped to move quickly. Certive, therefore, treats these companies as a source of business, NOT direct competition.
- c. Direct Service Competitors:
- i. Tier 1 players such as Accenture provide comprehensive services to the industry with a “big” service model. They are limited in number. These companies often are engaged with the large hospital systems and are subject to the same “big” inflexibility of larger corporations, are costly, and do not address the core leakage issue leaving white spaces and large revenue leaking problems un-addressed.
  - ii. Tier 2 players are medium sized players owned by private equity that are built to sell and have no domain capacity other than what they bought and little capacity to strategically think quickly. There are a handful of these players. Private equity is attracted to this space, which validates to some extent the opportunity, but private equity firms need to deploy large sums of capital which often results in ineffective returns on cash invested. Some of these companies could become larger future acquisition targets for Certive.
  - iii. Tier 3 companies are smaller players that are part of the fragmented nature of this tier. They have customer access, and good principals, but are cash limited and have no long-term vision for how they fit into the market. That makes them perfect acquisition targets for Certive where it could acquire attractive clients and/or service niches, layer in its strategies, use the vast data it acquires to drive the development of better tools for long-term risk management and become a sought-after enterprise.

### **Critical Success Factors for Certive**

There are several key indicators for the Company’s success in the Lost Charge and Denied Claims sector of the U.S. RCM market segment as follows:

**Connectivity and Credentialing:** The U.S. hospital market is comprised of hospitals that are run by a closely associated group of CEO's and CFO's who know each other as a result of migrations from hospital to hospital as industry challenges demanded changes to C level executive positions. Insofar as they are the only point of contact for vendors in the RCM space, it is critical to be connected through association and more importantly to be highly regarded and credentialed in the provision of audit and recovery services. The Company's acquisition of the assets of Titan and Omega brings with it over twelve years of service to this market and a highly credentialed and well-recognized management and staff who have performed seamlessly for their hospital customers.

**Technology:** The Company intends to grow through acquisition of RCM companies providing services similar to that of Omega or to simply grow the current business organically. It is essential that the Company utilizes internally adaptable and compatible cloud workflow and analytical tools to address the many business opportunities in the RCM market. The acquisition of the Omega assets brought with it a suite of software tools utilized by Omega in the delivery of their business that are portable to Titan and other acquisition targets. These tools and others will enable scaling of the consolidated enterprise which is the key to growth and claims adjudication.

**Domain Expertise:** The Company acquired over 70 years of combined U.S. healthcare expertise. The principals of Omega have worked on both the provider and payer side of the industry and have an intricate knowledge of technical, regulatory and clinical landscapes necessary to navigate the target opportunities. With the establishment of the Advisory Council, the Company further enhanced its domain expertise by securing the input and direct contributions of seven highly credentialed individuals with a collective 300 years of expertise in U.S. healthcare (see Advisory Council roles below). This is perhaps the most important component in the Company's assessment of critical success factors.

## **Lines of Business**

### **Charge Accuracy Audits**

**Revenue Integrity Analytics:** Analytical software tools are utilized by Omega, combined with investigative expertise to identify risks and opportunities in the revenue cycle. Revenue integrity analytics services are offered on a real-time basis to analyze charging and billing issues that reduce or delay reimbursement. These services include claims analysis for coding integrity, audit and recovery of missing charges and analysis of revenue cycle for improved performance.

**Revenue Recovery Services:** This comprehensive clinical review of outpatient claims ensures that all documented items were billed, that all billed items were charged appropriately, and that all payments were in accordance with designated contracts

**Missing Charge Software:** OCExaminer software was developed based on nearly 20 years of experience in performing revenue recovery. Omega offers exclusive lost charge edits that are designed to quickly identify revenue enhancement opportunities

**CDM Integrity Software:** The charge master is the heart of the hospital's revenue cycle. Omega's ChargeMASTER application is designed to ensure that the hospital's charge master is complete and compliant. ChargeMASTER provides real-time validation, unlimited licensing, and iPhone™ simplicity, allowing hospital staff to quickly and easily maintain the clinical data management (CDM).

**Contract Analysis Service:** Hospitals are typically reimbursed in accordance with contract terms. Omega has developed proprietary technology that facilitates a quick analysis of claims information to ensure that payment is being made correctly.

**Remote Coding:** Increasingly, HIM directors are turning to outside resources to keep accounts moving. Omega has a large staff of certified coders to provide outsourced remote coding.

## **Technology and Scale**

A brief description of the software products is set forth below:

i) ChargeMASTER: ChargeMASTER is a comprehensive resource for hospital chargemaster and management information system (MIS) staff. Since it is a web-based application, *ChargeMASTER* is available to analyze the CDM any time. The system can instantly pinpoint items that need to be updated for regulatory compliance and identify new or revised codes that will increase reimbursement yields.

*ChargeMASTER* contains 3 modules:

- Coding Alerts: invalid/incorrect Healthcare Common Procedure Coding (HCPC)/Current Procedural Terminology(CPT)/Revenue Codes, Fraud and Abuse Alerts
- Pricing Analysis: uniform pricing issues and charges that are below Outpatient Prospective Payment System (OPPS) payment rates
- CDM Modeling: Companion Code models, CPT department models

In addition, *ChargeMASTER* provides *information* to assist the user in identifying possible *solutions*.

A *ChargeMASTER* report completes the following functions and is used internally by Omega to provide the following revenue integrity services to its customers: Shows how/where to immediately bring the CDM into regulatory compliance, identifies coding errors that would cause claims to be rejected, identifies linked (companion) codes that are missing from the CDM, identifies charges that are below OPPS rates, and shows how to correct errors so they do not recur.

ii) OC Examiner Charge Capture Software: OCExaminer delivers unique charge capture software designed to help hospitals optimize its revenues. Omega's 20 years of experience in performing hands-on lost charge recovery engagements has resulted in the development of an unmatched revenue capture software. OCExaminer is designed to analyze claims to ensure that any potentially missing charges are identified prior to submitting the bill.

There are five core components of OCExaminer's (Charge Accuracy Audits) edits:

- Interventional Radiology
- Drug Administration
- Carve Outs
- Omega's Proprietary Edits
- User-defined Edits

OCExaminer typically identifies between an 8% and 15% potential error rate on previously scrubbed claims.

It also helps ensure compliance by automatically checking for:

- Medicare and Medicaid coding issues
- RAC alerts
- NCDs and LCDs

iii) One Point: **OnePoint** is a comprehensive resource for hospital and MIS staff since it is a web-based application.

**OnePoint** contains 6 modules;

- ChargeMASTER
- OCExaminer
- Patient Eligibility Determination
- Claims Management
- Remittance Advices
- Work Flow for both ChargeMaster and OCExaminer

## **Growth Strategy**

Certive is focused on becoming a significant and dominant competitor in the Lost Charge Recovery segment of revenue cycle for U.S. hospitals. Business development with hospitals is almost exclusively built upon relationships with hospital CFO's. In the absence of acquiring the relationships it would be virtually impossible for any new entrant to this segment to even secure a first meeting with a hospital CFO.

Certive's growth strategy is to acquire customers through relationships and via acquisition of select Tier 3 companies and to invest in technology and business development, enabling scale, improving value for clients, and improving margins. Charge Accuracy Audit and collections of claims are steps in a complicated process involving large quantities of claims and data. Skilled labor will always be part of the operational component of these services, but operational efficiency is a critical success factor to drive improved margins, scalability for growth, and the delivery of a differential value proposition for competitiveness. Analytical capabilities are also increasing in importance.

The Company's growth strategies are being refined as the Advisory Council and management address the strategic and tactical processes to obtain incremental cumulative growth. Customer acquisition is being complimented through the acquisition of Tier 3 companies that provide revenue cycle management services to hospitals. Evaluation of the Company's acquisition targets is critical to ensuring that the customer acquisitions resulting therefrom have long term value. The Company refers to the growing base of customers acquired through the purchase of revenue cycle vendors as part of its plan to enlarge its "footprint". The Advisory Council will assist management in targeting additional service offerings that can thereby be sold into that footprint. Furthermore, the Company's value should be enhanced as its footprint increases. The growth strategy is therefore impacted by the speed with which revenue cycle service vendor acquisitions can be accomplished, thus leading to a larger footprint. Having a clear understanding of hospital customer needs will then provide the capacity for incremental revenues and cross selling between and among these customers.

## **2017- 2018 STRATEGIC PLAN OVERVIEW**

As noted above, the Company has made several material decisions with respect to its strategy for growth and how it best utilizes capital, engages in asset ownership versus asset management and thereby reducing financial risk, deploying capital to the most accretive sources of revenue and attracting large sums of capital for expansion at the lowest possible cost or encumbrance. Based upon these conclusions, the Company has elected to re-focus its resources, both human and capital to achieve these goals. In March 2017, the process began with a newly re-constituted Board of Directors including the appointment of Hon. Ed Holder as noted above. Expanding the Board to include seasoned individuals in U.S. Healthcare will continue. The Advisory Council has also been expanded to include a non-health care individual and investor, Robert Uxa, who has years of experience in managing growth enterprises and a deep understanding of the appropriate utilization and turns on cash management. We have as a result commenced a focused branding process that defines the unique Charge Accuracy Audit service offering of Omega (formerly defined as Lost Charge Recovery).

A summary of our near- term objectives are as follows;

- a) The Company has contracted with a senior sales and marketing executive to assist in the identification of and closing of business where either he has direct contacts with decision makers or where he can take leads from other connectors within the Company's network.
- b) The Company has also engaged with a Minneapolis based insurance sales group who have sold liability insurance to hospitals for over 30 years. They have supplied a list of 35 hospitals or hospital systems where they have direct connectivity and therefore the ability to make appropriate introductions of Certive to decisionmakers.
- c) CTI intends to expand its presence in the revenue cycle management segment by incrementally developing five additional and complementary solutions and bundle them into a single platform for efficiency and accuracy. New lines of business focused on the financial risks and outcome risks of health care not only for today's fee-for-service model, but will accelerate and enable key aspects of healthcare reform. These lines of business will be built using of a combination of current capabilities, development of sophisticated

new analytical models on top of our current capabilities, and strategic acquisitions. These solutions will not only capture the leakage in the system but will provide defined process improvements in several niche areas to solve the root cause of the problem. The program will be led by one of Certive's Advisory Council members who has over 28 years' experience in healthcare and is founder and owner of a well-known healthcare analytics and actuarial services company and is focused on healthcare reform for State Medicaid programs. His firm holds the position as the second largest actuary of record to individual States in the U.S.

d) Certive has defined and will implement a best in class a digital web presence to attract investors, clients, and potential acquisition or partner candidates. This digital marketing program is designed to communicate more about the company and its core vision to attract people who bring accretive talent, ideas, or their companies for Certive to evaluate for potential acquisition.

e) Near Term Sales Strategies for Omega:

- Repurpose one of Omega's current employees to assist and coordinate all business development activities. This has been done and is presently exhibiting positive results.
- Hire a Chief Growth Officer who will be responsible for all sales, marketing and strategic relationships for the Company identifying and coordinating all connectors. The Company has engaged with a seasoned healthcare sales and marketing executive to determine the appropriate individual to take this position. Management anticipates filling it before the end of November 2017.
- Realign with existing connectors to support both the Pittsburgh markets and Minnesota markets given the existence and willingness of the various connectors to work closely with the Chief Growth Officer.
- Utilize the existing contacts surrounding the sales executive referred to above to identify near term service offerings for which Omega can provide, including of course the core business of Lost Charge Recovery.
- New Sales and Marketing strategy will be led by a new Chief Growth Officer, who is an industry veteran with 28 years experience and has sold Lost Charge Recovery, Managed Care Underpayment Recovery, Clinical Documentation Improvement, SaaS software applications and a very large network of hospital C Suite executives.
- We have implemented a vastly expanded, comprehensive Managed Care Underpayment Recovery solution to existing clients. The rollout began with a pilot project at two existing clients to identify all underpayments from \$50 and above with expected high volumes of smaller balance recoveries re-submitted in batch mode. A successful pilot will result in applying the processes across all current and future clients.
- Commercial insurers, Medicare and Medicaid rate of claim denials have reached an all-time high of 14% of total claims. The extraordinarily high percentage of denials are often caused by physicians not documenting patient charts sufficiently to establish medical necessity. We are embarking on a pilot project with one of the industry's leading clinical coders who has trained hospital-based physicians across the country on

the importance of clinical documentation to avoid denied claims and to more accurately capture the intensity and severity of the services performed. Not only will this eliminate a high volume of denials alleging a lack of medical necessity, it will also help our clients to recover additional funds on those denials plus increase their Case Mix Index which is used in the overall reimbursement computations assigned to all hospitals by Medicare and Medicaid. We also have access to partner with a firm that has the only software of its kind to identify the physicians who are the poorest performers at their hospital when it comes to documenting medical records. The software goes on to provide training by specialty and includes a self test at the end.

Other possible enhancements/new offerings under consideration include:

- Strategically offering a product to gain more market share in the Lost Charge Recovery space. Since the OCE tool consistently finds 10-12% more missing charges on Medicare and Medicaid outpatient claim than competing solutions, the product would focus on these government plans. We anticipate that strong performances on the government claims would allow us to capture the commercial Lost Charge Recovery business at approximately 50% of the hospitals that pilot with us.
- A number of solutions could be offered on a SaaS based platform for smaller hospitals that do not have a large enough volume of recovery potential to be a viable contingency fee client of ours. However, the lost charge, underpayment volume could be enough to entice these smaller hospitals to purchase a low-cost version of our current and future solutions on a monthly recurring license fee.

### **Overall Performance for the three months ended August 31, 2017**

The following discussion of the Company's financial performance is based on the consolidated financial statements for the three months ended August 31, 2017 and August 31, 2016. It should be noted that the results for the quarter ended August 31, 2017 differ materially from the comparative quarter insofar as the current quarter does not include any operating results for the Titan Division as it was sold effective June 1, 2017.

As of August 31, 2017, the Company had a cash and cash equivalents balance of \$151,428 ( May 31, 2017 - \$138,258), accounts receivable of \$447,437 (May 31, 2017 - \$501,322), prepayment of \$Nil (May 31, 2017 - \$16,597), and total current assets of \$598,865 (May 31, 2017 - \$656,177). The decrease in total current assets (\$57,312) was mainly in the area of accounts receivable. The decrease in accounts receivable not material and is based on the level of activity in Omega.

There were no significant changes in non-current assets which were \$2,099,633 at August 31, 2017 (May 31, 2017 - \$2,100,855), insofar as the total assets were deemed sold at May 31, 2017. (See paragraph below).

There is a new asset class on the Balance Sheet. "Assets from Discontinues Operations". All the assets and liabilities of Titan as at May 31, 2017 have been removed from the statement of financial position of the Company. The Company has valued its investment in Titan as at May 31, 2017 at \$182,886, being the value of the shares to be returned and the cash to be acquired upon final settlement. The resulting write-off of Titan assets (including the customer list noted above) are

reflected on the Financial Statement of Comprehensive loss under Discontinued Operations and in Note 11 under Impairment of Titan.

Current liabilities at August 31, 2017 total \$3,572,618 (May 31, 2017 - \$3,096,409), the increase is due to several factors.

Accounts payable has increased by \$292,850 from the prior period to be \$1,663,523 as at August 31, 2017. Convertible debt increased by \$256,322 from the prior year to be \$1,684,571 as at August 31, 2017.

Short term loans decreased by \$72,963. This decrease was the net result of one loan for \$148,000 which has been reclassified to convertible debt and the receipt of \$82,000 of new Short term loans. The difference was small amounts repaid.

A derivative liability of \$466,791 has been recorded. This consists of the fair value of non-compensatory share purchase warrants and convertible notes that have an exercise price or a conversion price that differs from the functional currency of the Company. These warrants were valued using the Black Scholes option pricing model with a weighted average expected volatility of 163.99%, discount rate of 0.69%, expected life of 1.65 years, and a dividend rate of 0%.

Working capital, which is comprised of current assets less current liabilities, is (\$2,973,753) at August 31, 2017 as compared to (\$2,440,232) at May 31, 2017. Working capital continues to be an area of concern to management. Management believes it can secure sufficient working capital to maintain the Company's day-to-day operations until Omega generates positive cash flows. See Financial Position and Liquidity section for further discussion of working capital. Note the adjusted working capital at August 31, 2017 as per the table on Page 28 thereof is \$(644,070).

During the three months ended August 31, 2017, the Company reported a net loss of (\$1,074,572), ((\$0.01) basic and diluted income per share based on 79,863,277 weighted average number of common shares) compared to a net loss of (\$430,034), (\$0.01) basic and diluted income per share based on 67,085,477 weighted average number of common shares) for the year ended August 31, 2016.

## **RESULTS OF OPERATIONS – Quarter Ended August 31, 2017: Certive Solutions Inc.**

Results of operations are reported on a comparative basis with the three months ended August 31, 2016. The Titan division was divested on June 1, 2017. Thus, the comparative financial statements are difficult to compare given the fact the current period excludes Titan and the prior period includes Titan. The following table shows the three months ended August 31, 2017 compared to the three months ended August 31, 2016 with Titan excluded.

**Certive Solutions Inc.**  
**Condensed Interim Statements of Comprehensive Loss**  
(Expressed in U.S. Dollars)

|   | 8/31/2017             | 8/31/2016           | 8/31/16 Titan     | 8/31/16 w/o Titan     |
|---|-----------------------|---------------------|-------------------|-----------------------|
| <b>REVENUE</b>                                  |                       |                     |                   |                       |
| Billing support                                 | \$ -                  | 364,083             | 364,083           | -                     |
| Claim audit and collections                     | -                     | 782,300             | 782,300           | -                     |
| Consulting                                      | 60,852                | 74,256              | -                 | 74,256                |
| Chargemaster revenue                            | 337,300               | 278,321             | -                 | 278,321               |
| Dashboard sales                                 | 39,409                | 17,340              | -                 | 17,340                |
| <b>Total revenue</b>                            | <b>437,561</b>        | <b>1,516,300</b>    | <b>1,146,383</b>  | <b>369,917</b>        |
| <b>OPERATING COSTS</b>                          |                       |                     |                   |                       |
| Commission                                      | 9,852                 | 20,427              | 18,927            | 1,500                 |
| Contractors and consultants fees                | 90,922                | 154,836             | 15,920            | 138,916               |
| Direct Payroll and employees benefits           | 231,295               | 753,625             | 439,559           | 314,066               |
| Travel to client sites                          | 3,083                 | 10,826              | 10,826            | 0                     |
| License Fees                                    | 150                   | 2,651               | 2,273             | 378                   |
| <b>Total operating costs</b>                    | <b>335,302</b>        | <b>942,365</b>      | <b>487,505</b>    | <b>454,860</b>        |
| <b>Gross profit</b>                             | <b>102,259</b>        | <b>573,935</b>      | <b>658,878</b>    | <b>- 84,943</b>       |
| <b>EXPENSES</b>                                 |                       |                     |                   |                       |
| Advisory board fees                             | 22,500                | 47,500              | -                 | 47,500                |
| Allowance for doubtful accounts                 | -                     | -                   | -                 | -                     |
| Amortization                                    | 25,819                | 25,701              | 844               | 24,857                |
| Bank charges interest                           | 107,241               | 86,279              | 11,386            | 74,893                |
| Consulting fees                                 | 80,500                | 55,500              | -                 | 55,500                |
| Corporate finance                               | 53,400                | 54,850              | -                 | 54,850                |
| Directors' fees                                 | 82,200                | 20,000              | -                 | 20,000                |
| Foreign exchange (gain ) loss                   | 27,663                | (1,327)             | -                 | - 1,327               |
| General and administrative                      | 46,461                | 122,645             | 85,275            | 37,370                |
| Investor relations                              | 7,500                 | 40,000              | -                 | 40,000                |
| Management fees                                 | 147,000               | 127,000             | -                 | 127,000               |
| Professional fees                               | 96,031                | 50,292              | 6,581             | 43,711                |
| Rent  | 38,375                | 87,075              | 30,895            | 56,180                |
| Salaries and wages                              | 201,207               | 221,166             | 122,184           | 98,982                |
| Sales and marketing                             | 542                   | 9,000               | -                 | 9,000                 |
| Transfer agent and filing fees                  | 6,154                 | 5,739               | -                 | 5,739                 |
| Travel and promotion                            | 36,154                | 52,549              | 1,044             | 51,505                |
| <b>Total expenses</b>                           | <b>978,747</b>        | <b>1,003,969</b>    | <b>258,207</b>    | <b>745,762</b>        |
|   | <b>(876,488)</b>      | <b>(430,034)</b>    | <b>400,671</b>    | <b>(830,705)</b>      |
| Share-based compensation expense                |                       |                     | -                 | -                     |
| Foreign derivative expense                      | (198,084)             |                     | (198,084)         | -                     |
| Recovery from settlement of debt                |                       |                     | -                 | -                     |
| <b>Loss from continuing operations</b>          | <b>\$ (1,074,572)</b> | <b>\$ (430,034)</b> | <b>\$ 202,587</b> | <b>* \$ (830,705)</b> |
| Revenue from discontinued operations            |                       |                     |                   |                       |
| Expenses from discontinued operations           |                       |                     |                   |                       |
| Income from discontinued operations             | <b>0</b>              |                     |                   |                       |
| <b>Loss and comprehensive loss for the year</b> | <b>\$ (1,074,572)</b> | <b>\$ (430,034)</b> | <b>\$ 202,587</b> | <b>\$ (830,705)</b>   |

## Revenue

The Company generated \$437,561 in gross revenue for the quarter ended August 31, 2017, compared with \$1,516,300 for the three months ended August 31, 2016, a decrease of \$1,078,739, or 71.1%. In the first quarter of 2016, the Titan division contributed \$1,146,383 of revenue, which accounts for this decrease. Effective June 1, 2017, the Company sold the Titan division and accordingly the decrease is wholly the result of the sale.

For the three months ended August 31, 2017, the Company recorded gross revenues of \$437,561, of which Consulting Services accounted for \$60,852 with Chargemaster sales totaling \$337,300 and Dashboard sales totaling \$39,409.

For the three months ended August 31, 2017, Omega recorded gross revenues of \$337,300 as compared to \$278,321 for the comparative three months ended August 31, 2016 an increase of \$58,980 or 21%.

Consulting revenues generated by KCA for the three months ended August 31, 2017 were \$60,852 as compared to \$74,255 for the three months ended August 31, 2016 a decrease of \$13,403 or 18% because of reduced consulting services previously provided to Maricopa County and a targeted effort to redirect sales efforts to the dashboard product. See other sections of this MD&A for further information on the dashboard product.

Dashboard sales increased by \$22,068 to \$39,409 or 127% over the preceding quarter. The significance of dashboard sales is that as KCA matures to a licensing model from a consulting model and the platform secures national adoption by public health units, this division will generate significant accretive high margin revenue for the Company.

## Operating Expenses

Commission expense decreased by \$10,575 to \$9,852 for the three months ended August 31, 2017 from \$20,427 in the three months ended August 31, 2016. In the first quarter of 2016, the Titan division contributed \$18,927 of commission, which accounts for the decrease. Both KCA and Omega have also started to use commissions as well and collectively this cost was \$9,852 in the current year ended August 31, 2017. The majority of which was due to hiring a commissioned sales agent for KCA.

Contractors and consulting fees decreased by \$63,914 to \$90,922 for the three months ended August 31, 2017 from \$154,836 in the three months ended August 31, 2016. The decrease in contractor and consulting fees is related to \$15,920 of Titan expense for the three months of 2016 and a \$44,000 decrease in Omega's contractor costs.

For the three months ended August 31, 2017, the Company reported direct payroll costs totaled \$231,295 or 53% of consolidated revenues for the period. This compares to \$753,625 or 49.7% of consolidated revenue for the comparative three months.

Direct Payroll the three months ended August 31, 2017 was \$231,295 as compared to the three-month period ended August 31, 2016 which was \$753,625. The decrease in Direct Payroll and benefits is about \$522,330 and this decrease is due to a reclassification of Omega manager expenses of \$148,674 to salaries and wages under general overhead, in so far as during the three months ended August 31, 2017 these managers spent the majority of their time on Certive related overhead while managing their divisions. Also, Titan had \$439,560 of Direct Payroll expense in three-month period ended August 31, 2016 which contributed to the decrease.

#### Expenses (General Overhead)

General overhead expenses for the three months ended August 31, 2017 totaled \$978,747 as compared to \$1,003,969 for the three months ended August 31, 2016, a decrease of \$25,222 or 2.5% over the comparative three months. Once an adjustment for Titan is made the comparable general overhead expenses is \$745,762 for the three month period ended August 31, 2016.

The following were the most significant changes for the three-month period ended August 31, 2017:

Advisory Board Fees: The Company incurred \$22,500 in Advisory Board Fees during the three months ended August 31, 2017 as compared to \$47,500 in costs for the three months ended August 31, 2016. This represent a reduction of about \$25,000 or 53%. The reduction was primary due to lower payment to these members as a cost cutting measure and this represents management's efforts to reduce costs.

Interest and Bank Charges: Interest and bank charges for the three months ended August 31, 2017 totaled \$107,241 as compared to \$86,279 for the three months ended August 31, 2016 an increase of \$20,962. This increase is caused by increased accruals on convertible debt.

Consulting Fees: Consulting fees of \$80,500 were paid in the three months ending August 31, 2017, compared to \$55,500 for the three months ended August 31, 2016. This increase of \$25,000 was relates to the costs associated regulatory compliance matters and dealing with Titan related issued.

Corporate Finance Fees: The corporate finance fees decreased modestly from \$54,850 to \$53,400. Fees were paid on some of the Short Term loans raised in the current quarter.

Director's Fees: Director's fees increased from \$20,000 for the three months ended August 31, 2016 to \$82,200 for the three months ended August 31, 2017. This represents an increase of \$62,200 or 311%. This increase is due to a new board member that joined in June and a bonus fee paid to another director.

General and Administrative Costs: General administrative expenses decreased from \$122,645

to \$46,461 for the three months ended August 31, 2017, a decrease of \$76,184 over the comparative three months. The decrease is related to the sale of the Titian division. Once Titan is factored out the comparative expense would have been \$37,370 for the three months ended August 31, 2017 and this resulted in a difference of \$9,091.

Investor Relations Fees: Investor relations expenses of \$7,500 were incurred for the three months ended August 31, 2017 compared to \$40,000 for three months ended August 31, 2016. This decrease is consistent with the company reducing costs in this area.

Management Fees: Management fees of \$147,000 were paid to senior management including divisional managers and the Company's interim COO, and other C level executives for three months ended August 31, 2017, compared to \$127,000 for the same period in 2016, an increase of \$20,000.

Professional Fees: Professional fees paid for the three months ended August 31, 2017 were \$96,031 as compared to \$50,292 for the comparative prior three months, an increase of \$45,739 for the three months. This increase stemmed from several areas. Both Legal and Audit expenses were higher in the current period.

Rent: Rent and occupancy costs for the three months ended August 31, 2017 totaled \$38,375 as compared to \$87,075 for 2016. Of the \$48,700 decrease, \$30,895 is attributed to the Titan division. The balance of \$17,805 is because of an understatement in the August rent which was recorded in September 2017. The net result is that next quarters rent will be about \$17,000 higher.

Salaries and Wages: The reported Salaries and Wages decreased to \$201,207 from \$221,166. This decrease in Salaries and Wages of \$19,959 is mainly attributable to Titan be removed from operations. Once Titan is removed the expense for the prior period, the comparative expense would have been \$98,892. The difference between \$98,892 and \$201,207 is attributed to the fact Senior Omega Management expenses were reclassified to this expense category in the current period from Direct Payroll.

Sales and Marketing: The Company incurred \$542 of sales & marketing costs during the three months ended August 31, 2017 as compared to \$9,000 costs for the three months ended August 31, 2016.

Travel and Promotion: Travel and promotion costs for the three months ended August 31, 2017 were \$36,154 compared to \$52,549 for the comparative three months ended August 31, 2016. The decrease in travel costs is immaterial and related to period travel costs which vary quarter to quarter.

The comprehensive loss for the three months ended August 31, 2017 was \$1,074,572 as compared to \$430,034 for the three months ended August 31, 2016.

The fully diluted loss for the three-month period per share outstanding as at August 31, 2017 was \$0.01 per share calculated based on 79,863,277 consolidated weighted average common shares outstanding.

## FINANCIAL POSITION

As at August 31, 2017, the Company had a working capital deficiency of \$2,973,753. However, there are current liabilities that are scheduled for conversion to equity.

The adjusted working capital should be as follows:

**Certive Solutions, Inc**  
**Adjusted Working Capital Calculation**

|   |                           |                          |                             |                            |
|---|---------------------------|--------------------------|-----------------------------|----------------------------|
| <b>Total Current Assets:</b>                                    |                           |                          |                             | <b>\$ 598,865</b>          |
|   | <b><u>Convertible</u></b> | <b><u>Short Term</u></b> | <b><u>Accounts</u></b>      | <b><u>Total</u></b>        |
|   | <b><u>Debt</u></b>        | <b><u>Loans</u></b>      | <b><u>Payable &amp;</u></b> | <b><u>Adjusted</u></b>     |
|   |                           |                          | <b><u>Accrued</u></b>       | <b><u>Current</u></b>      |
| <b>Current Liabilities:</b>                                     | 1,684,571                 | 224,524                  | 1,663,523                   | 3,572,618                  |
| Amounts to be converted:  |                           |                          |                             |                            |
| Convertible Unsecured   | (1,684,571)               |                          |                             | (1,684,571)                |
| Amounts paid subsequent to year end                             |                           |                          |                             | -                          |
| Convertible amounts owing to Directors & Advisory Board Members |                           |                          | (557,612)                   | (557,612)                  |
| Other Convertible Loans   |                           | (87,500)                 |                             | (87,500)                   |
| <b>Total Adjusted Current Liabilities</b>                       | -                         | 137,024                  | 1,663,523                   | 1,242,935                  |
| <b>Net Working Capital</b>                                      |                           |                          |                             | <b><u>\$ (644,070)</u></b> |

## SELECTED ANNUAL INFORMATION

The following financial data, which has been prepared in accordance with International Financial Reporting Standards (IFRS), is derived from the Company's financial statements. These sums are being reported in U.S. dollars and did not change as a result of the adoption of policies concerning Financial Instruments.

|   | Year ended    |               |               |
|---|---------------|---------------|---------------|
|   | May 31, 2017  | May 31, 2016  | May 31, 2015  |
| Total Revenue                             | \$ 1,716,666  | \$5,634,770   | \$3,862,837   |
| Interest income                           | \$--          | \$--          | \$--          |
| Expenses                                  | \$ 5,661,388  | \$11,370,457  | \$6,177,515   |
| Net loss                                  | (\$3,741,115) | (\$5,735,687) | (\$2,314,678) |
| Total assets                              | \$2,939,918   | \$5,879,498   | \$4,496,007   |
| Total long-term liabilities               | \$            | \$--          | \$--          |
| Net loss per share<br>(basic and diluted) | (\$0.05)      | (\$0.11)      | (\$0.06)      |

As noted elsewhere in this MD&A the results of operations for the Titan Division have been reported in the Statements of Comprehensive Loss in aggregate as Discontinued Operations. The impact on revenue in the above schedule where \$3,787,947 of Titan revenue for the year ended May 31, 2017 has been reflected in Discontinued Operations. Please see section "Summary of Corporate Status as at May 31, 2017"

## SELECTED QUARTERLY INFORMATION

The following table summarized the results of operations for the four most recent quarters.

|                 | Three months ended |              |                      |                      |
|-----------------|--------------------|--------------|----------------------|----------------------|
|                 | August 31,<br>2017 | May 31, 2017 | February 28,<br>2017 | November<br>30, 2016 |
| Total Revenue   | \$437,561          | \$1,354,685  | \$1,259,820          | \$1,373,808          |
| Interest income | \$ --              | \$ --        | \$ --                | \$ --                |
| Expenses        | \$1,512,133        | \$2,174,298  | \$2,001,646          | \$2,534,823          |
| Net loss        | (\$1,074,572)      | (\$819,613)  | (\$741,826)          | (\$1,161,015)        |

|   |          |          |          |          |
|---|----------|----------|----------|----------|
| Net loss per share and diluted loss per share | (\$0.01) | (\$0.01) | (\$0.01) | (\$0.02) |
|---|----------|----------|----------|----------|

|   | Three months ended |               |                   |                   |
|---|--------------------|---------------|-------------------|-------------------|
|   | August 31, 2016    | May 31, 2016  | February 29, 2016 | November 30, 2015 |
| Total Revenue                                 | \$1,516,300        | \$ 1,139,211  | \$ 1,148,411      | \$ 1,934,087      |
| Interest income                               | \$ --              | \$ --         | \$ --             | \$ --             |
| Expenses                                      | \$1,946,334        | \$3,871,038   | \$2,203,167       | \$3,412,479       |
| Net loss                                      | (\$430,034)        | (\$2,731,827) | (\$1,054,756)     | (\$1,478,392)     |
| Net loss per share and diluted loss per share | (\$0.01)           | (\$0.04)      | (\$0.01)          | (\$0.02)          |

### Summary of Quarterly Results

For the quarter ended August 31, 2017, the Company recorded revenues only for the Omega division. Compared to August 31, 2016 without Titan, revenue increased by a modest 18% from the corresponding period in the prior year.

### LIQUIDITY

- As at the date of this MD&A, the Company is sourcing sufficient working capital to cover its operating overhead costs for a period of 6 months. The capital necessary to maintain overhead coverage has and will continue to be secured by way of a convertible debt financing and equity financings. The objective for the Company is that on a consolidated basis, cash flow from operations will be sufficient to cover all corporate overhead.
- Other than as set forth herein, there are no expected fluctuations in the Company's liquidity, taking into account demands, commitments, events or uncertainties.
- The Company does not currently have any liquidity risks associated with maturing financial instruments.
- The Company's working capital deficiency will be substantially reduced after the conversions discussed in the MD&A are effected. The current working capital deficiency is \$2,973,753. Financings carried out to date and contemplated by the Company in the fall

of 2017 will provide additional cash to further reduce or eliminate the current reported working capital deficit position.

- e) There are no balance sheet conditions or income or cash flow items that may materially affect the Company's liquidity other than the ability to generate revenue from existing customer contracts. Readers are directed to Note 1 in the Financial Statements for additional information.
- f) The Company has two subsidiaries, one of which has two operating units at the date of this MD&A.
- g) There are currently no defaults or arrears by the Company on dividend payments, lease payments, interest or principal payment on debt, debt covenants; redemption or retraction or sinking fund payments, other than certain notes represented as convertible debt in the aggregate amount of \$290,000, for which the Company has made an offer of settlement in shares for \$240,000 of that and is in discussions for settlement of the remaining \$50,000.
- h) The Company has accrued but not paid interest on all of its convertible debt. The terms of agreement with the companies note holders are that interest payments will be converted into shares at defined prices at the term of the note. Therefore, the Company does not anticipate any cash call for periodic interest payments prior to conversion.

## **CAPITAL RESOURCES**

The Company has no planned capital expenditures at the date of this MD&A. The Omega is self-sufficient with respect to the infrastructure including software and hardware and facilities to conduct its business during the planning period. The allocation of capital during the following twelve months will be directed towards sales and marketing initiatives that will monetize the infrastructure presently in place and support the operating overheads of the public company.

It is management's objective to achieve consolidated positive cash flow driven by the Omega division.

The Company's sources of capital are from high net worth investors who are familiar with the US Healthcare Industry. Their intrinsic understanding of the company's business strategies perpetuates their continuing interest to fund operations until positive cash flow.

## **OFF BALANCE SHEET ARRANGEMENTS**

As at August 31, 2017 the Company had no off-balance sheet arrangements.

## **PROPOSED TRANSACTIONS**

The Company does not have any other proposed transactions to discuss at this time.

## **TRANSACTIONS WITH RELATED PARTIES**

- a) As of August 31, 2017, the Company had advanced \$496,028 to Canadian Data Preserve, Inc., a company with common directors. The common directors are Brian Cameron, Van Potter, and Mike Bartlett. The advances are secured with a promissory note bearing interest at 8% per annum. The advance has not been repaid at the date of this MD&A. During the current financial year, the Company has recorded allowance for doubtful debts for the amount of the receivable recorded at that date.
- b) During the three months ending August 31, 2017, the Company paid or accrued management, consulting, and director's fees and salaries to key management personals totaling.

Directors Fee's

|               |                  |
|---------------|------------------|
| Mike Bartlett | \$ 57,200        |
| Jeff Wareham  | \$ 10,000        |
| Ed Holder     | <u>\$ 15,000</u> |
| Total         | <u>\$ 82,200</u> |

Advisory Board Fees

|              |                  |
|--------------|------------------|
| Jack Chapman | \$ 7,500         |
| Tom Marreel  | <u>\$ 15,000</u> |
| Total        | <u>\$ 22,500</u> |

Management Fees

|               |                  |
|---------------|------------------|
| Brian Cameron | \$ 73,500        |
| Van Potter    | \$ 73,500        |
| Ann Fierro    | \$ 63,750        |
| Fred Erickson | \$ 26,900        |
| Total         | <u>\$237,650</u> |

- c) As of August 31, 2017, the Company loans receivable of \$496,028 from related parties as follows:
- i. Due from Canadian Data Preserve Inc. \$496,028
- d) As of August 31, 2017 the Company had Loans and Convertible Loans due to related parties as follows:
- i. Loan due to Van Potter \$15,000
  - ii. Loans payable of \$137,024 are related party obligations to Omega and KCA. These loans are reflected on the balance sheet as part of the total \$224,524 shown on the balance sheet as short-term notes.

**OUTSTANDING SHARE DATA**

Authorized: unlimited common shares without par value

unlimited preferred shares without par value

Issued and Outstanding:

|                                       | Number of Shares  | Amount               |
|---------------------------------------|-------------------|----------------------|
| <b>Balance at May 31, 2016</b>        | <b>67,085,477</b> | <b>\$ 18,094,420</b> |
| Private placement                     | 2,101,523         | \$ 630,456           |
| Fair Value of warrants issued         |                   | \$ (148,345)         |
| Stock Option exercise                 | 3,294,924         | \$ 622,848           |
| Fair value of stock options exercised |                   | \$ 526,467           |
| Conversion of Debt                    | 5,779,473         | \$ 1,115,139         |
| Shares issued for debt settlement     | 450,000           | \$ 33,786            |
| Shares issued for acquisition of KCA  | 900,000           | \$ 67,572            |
| <b>Balance at May 31, 2017</b>        | <b>79,611,397</b> | <b>\$ 20,942,344</b> |
| Shares returned to treasury on        |                   |                      |
| Discontinuation of Titan              | (2,240,667)       | \$ (82,886)          |
| Transaction costs on convertible debt | 1,666,700         | \$ 55,319            |
| Balance at August 31, 2017            | 79,037,430        | \$ 21,030,282        |

Stock Options:

The following stock options are currently outstanding:

|  |                                 |
|--|---------------------------------|
| Total outstanding Options May 31, 2016 | 12,297,417                      |
| Granted options                        | 2,100,000                       |
| Exercised options                      | <u>(3,294,924)</u>              |
| Total outstanding options May 31, 2017 | <u>11,102,493<sup>(1)</sup></u> |

<sup>(1)</sup> And October 30, 2017.

Warrants:

The following warrants are outstanding:

As at August 31, 2017, the Company had the following share purchase warrants outstanding:

| Outstanding | Exercise Price | Remaining Life (Years) | Expiry Date        |
|-------------|----------------|------------------------|--------------------|
| 1,333,333   | \$0.35         | 0.25                   | December 1, 2017   |
| 2,101,523   | \$0.35         | 1.03                   | September 12, 2018 |
| 1,600,000   | CDN\$0.15      | 1.22                   | November 21, 2018  |
| 2,635,015   | CDN\$0.50      | 1.25                   | November 30, 2018  |
| 254,722     | CDN\$0.60      | 1.25                   | November 30, 2018  |
| 2,500,000   | CDN\$0.15      | 1.40                   | January 23, 2019   |
| 3,333,400   | CDN\$0.06      | 1.72                   | May 20, 2019       |
| 3,333,334   | CDN\$0.06      | 1.79                   | June 15, 2019      |
| 13,757,927  | \$0.18         | 1.36                   |                    |

Total warrants outstanding at October 30, 2017 is 13,757,927.

## **CONTINGENCIES**

During the year ended May 31, 2017, the Company received correspondence from the Internal Revenue Services (“IRS”) with assessed penalties totaling \$94,217 regarding failure to report ownership of foreign assets. Management believes that all the correct forms were filed with the IRS on time, and has discussed these matters with the IRS. Management is of the opinion that this will be resolved, and that no penalties will be owing. As a result, no liability has been recorded on the statement of financial position as at August 31, 2017 or May 31, 2017

## **CONTROLS AND PROCEDURES**

The Chief Financial Officer is responsible for establishing and maintaining effective disclosure controls and procedures for the Company as defined in National Instrument 52-109 *Certification of Disclosure in Annual and Interim Filings*. Management has concluded that as of October 28, 2011, discussion of disclosure controls and procedures is preemptive; however, once operations begin, such controls will be effective enough to provide reasonable assurance that material information relating to the Company would be known, particularly during the period in which reports are being prepared.

### **Disclosure controls and procedures**

The Chief Financial Officer is responsible for establishing and maintaining effective disclosure controls and procedures for the Company as defined in National Instrument 52-109 *Certification of Disclosure in Annual and Interim Filings*. Management has concluded that as of October 28, 2011, discussion of disclosure controls and procedures is preemptive; however, once operations begin, such controls will be effective enough to provide reasonable assurance that material information relating to the Company would be known, particularly during the period in which reports are being prepared.

### **Internal control over financial reporting**

The Chief Financial Officer is responsible for establishing and maintaining effective internal control over financial reporting as defined in National Instrument 52-109. Because of its inherent limitations, internal control over financial reporting may have material weaknesses and may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management has concluded that internal control over financial reporting will be effective. The design and operation of internal control over financial reporting will provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with applicable generally accepted accounting principles.

Internal control over financial reporting will include those policies and procedures that establish the following: maintenance of records in reasonable detail, that accurately and fairly reflect the transactions and dispositions of assets; reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with applicable generally accepted accounting principles; receipts and expenditures are only being made in accordance with authorizations of management and the Board of Directors; and reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets.

Management will design internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

### **Segregation of duties**

Currently duties have not been segregated due to the small number of individuals involved in this start-up. This lack of segregation of duties has not resulted in any material misstatement to the financial statements.

As the Company incurs future growth, management plans to expand the number of individuals involved in the accounting and finance functions. At the present time, the Chief Executive Officer and Chief Financial Officer oversee all material transactions and related accounting records. In addition, the Audit Committee of the Company review on a quarterly basis the interim financial statements and key risks and will query management about significant transactions.

### **Complex and non-routine transactions**

The Company may be required to record complex and non-routine transactions. These sometimes will be extremely technical in nature and require an in-depth understanding of Canadian GAAP. Finance staff will consult with their third party expert advisors as needed in connection with the recording and reporting of complex and non-routine transactions. In addition, an annual audit will be completed and presented to the Audit Committee for its review and approval.

These consolidated financial statements, including comparatives have been prepared in accordance with International Accounting Standards (“IAS”) 1, “Presentation of Consolidated financial statements” using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

The consolidated financial statements have been prepared on a historical cost basis except for certain financial assets measured at fair value as explained in the accounting policies set out in Note 3. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The comparative figures presented in these consolidated financial statements are in accordance with IFRS.

These consolidated financial statements were authorized by the audit committee and board of directors of the Company on October 30, 2017.

## **Comparative periods**

Prior period comparative figures have been amended to conform to the current period's presentation. Previously, the Company's due from and due to related parties were reported separately on the statement financial position. They are now reported as a net figure under due from related party.

## **Use of estimates and judgments**

The preparation of the consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statement. Actual results could differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting year, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

i) Depreciation

The Company's management exercises its judgment in estimating the useful lives of the depreciable assets. The estimated useful lives reflect the management's estimate of the periods the Company intends to derive future economic benefits from the use of these assets. The Company depreciates its capital assets in accordance with the accounting policies stated in Note 3.

ii) Recovery of deferred tax assets

Judgment is required in determining whether deferred tax assets are recognized on the statement of financial position. Deferred tax assets, including those arising from unutilized tax losses require management to assess the likelihood that the Group will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted.

Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods.

iii) Contingencies

By their nature, contingencies will only be resolved when one or more future events

occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

### **Determination of functional currency**

The functional currency is the currency of the primary economic environment in which the entity operates. Management has determined that the functional currency for the Company is the U.S. dollar. The functional currency determination was conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

## **SIGNIFICANT ACCOUNTING POLICIES**

### **Basis of consolidation**

These consolidated financial statements include the accounts of the Company and its subsidiaries. Intra-company balances and transactions, and any unrealized income and expenses arising from intra-company transactions, are eliminated in preparing the consolidated financial statements.

| Name of Subsidiary                    | Place of Incorporation | Proportion of Ownership Interest | Principal Activity     |
|---------------------------------------|------------------------|----------------------------------|------------------------|
| Advantive Information Management Inc. | Vancouver, BC          | 100%                             | Information Technology |
| Certive Technologies Arizona Inc.     | Scottsdale, Arizona    | 100%                             | Information Technology |

### **Foreign exchange**

Transactions in currencies other than the U.S. dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the statement of financial position date while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are recognized through profit or loss.

### **Cash**

Cash includes cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amount of cash and subject to an insignificant risk of change value.

## **License**

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the rehabilitation obligation, and for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. At the end of each reporting period, the License is reviewed to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. See Note 7 for details.

## **Financial instruments**

### Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

*Fair value through profit or loss* - This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized through profit or loss.

*Loans and receivables* - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

*Held-to-maturity investments* - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized through profit or loss.

*Available-for-sale* - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized through profit or loss.

The Company has not classified any financial assets as held-to-maturity or available for sale.

All financial assets except for those at fair value through profit or loss are subject to review for

impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

The Company has classified its cash as fair value through profit or loss. The Company's receivables and due from related parties are classified as loans and receivables.

### Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

*Fair value through profit or loss:* This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized through profit or loss.

*Other financial liabilities:* This category includes promissory notes, amounts due to related parties and accounts payables and accrued liabilities, all of which are recognized at amortized cost. The Company's accounts payables and other liabilities, due to related parties, short term loans and convertible debt are classified as other financial liabilities.

### **Impairment**

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

## **Loss per share**

The Company presents basic loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

## **Income taxes**

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded based on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

## **Related party transactions**

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

## **Future accounting pronouncements**

A number of new standards, amendments to standards and interpretations are not yet effective as at the date of issuing these statements, and have not been applied in preparing these financial statements. The Company has not early adopted any of these standards and is currently evaluating

the impact, if any, that these standards might have on its consolidated financial statements.

IFRS 9 - Financial Instruments, addresses classification, measurement and recognition of financial assets and financial liabilities. This new standard is a partial replacement of IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 introduces new requirements for the classification and measurement of financial assets, additional changes relating to financial liabilities, a new general hedge accounting standard which will align hedge accounting more closely with risk management. The new standard also requires a single impairment method to be used, replacing multiple impairment methods in IAS 39. IFRS 9 is effective for annual years beginning on or after January 1, 2018, with early adoption permitted.

IFRS 15 - Revenue from Contracts and Customers (“IFRS 15”) will replace IAS 18, Revenue, IAS 11, Construction Contracts, and related interpretations on revenue. IFRS 15 sets out the requirements for recognizing revenue that apply to all contracts with customers, except for contracts that are within the scope of the Standards on leases, insurance contracts and financial instruments. IFRS 15 uses a control based approach to recognize revenue which is a change from the risk and reward approach under the current standard. Companies can elect to use either a full or modified retrospective approach when adopting this standard and it is effective for annual years beginning on or after January 1, 2018, with early adoption permitted.

### **Interest-bearing loans and other borrowings**

Interest-bearing loans and other borrowings are recognized initially at fair value less related transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the income statement over the period of borrowings on an effective interest basis.

### **Provisions**

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation estimated at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

### **Share capital**

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share purchase options are recognized as a deduction from equity, net of any

tax effects.

### **Revenue recognition**

Contract revenue is recognized when goods are shipped and the customer takes ownership and assumes risk of loss, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and the sales price is fixed or determinable.

## **RISK FACTORS**

### **Strategic and operational risks**

Strategic and operational risks are risks that arise if the Company fails to develop sufficiently develop its strategic plans. These strategic opportunities or threats arise from a range of factors which might include changing economic and political circumstances and regulatory approvals and competitor actions. The risk is mitigated by consideration of other potential development opportunities and challenges which management may undertake.

### **Credit risk**

Credit risk is the risk that one party to a financial instrument will cause a loss for the other party by failing to discharge an obligation. The Company is subject to normal industry credit risks. The Company's other receivable balance may consist of amounts outstanding on Harmonized Sales Tax Credits from Canada Revenue Agency. Therefore, the Company believes that there is minimal exposure to credit risk.

### **Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at August 31, 2017, the Company had a cash and cash equivalent balance of \$598,865 and current liabilities of \$3,572,618 of which \$1,767,071 will be settled for stock.

### **Interest risk**

Interest risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in market risk. The Company's sensitivity to interest rates is currently immaterial.

### **Currency risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company holds no financial instruments that are denominated in a currency other than U.S. dollar. Cash and accrued liabilities are denominated in Canadian currency. Therefore, the Company's exposure to currency risk is minimal.

## **RISKS AND UNCERTAINTIES**

### **Risk Factors**

In evaluating an investment in the Company's shares, in addition to the other information contained or incorporated by reference herein, investors should consider the following risk factors. These risk factors are not a definitive list of all risk factors associated with the Company and its business.

### General and Industry Risks

The Company's business objectives in the next 12 months are to establish, by the end of 2014, (i) an expanded profitable operating business that can be sustained on an ongoing basis, (ii) a strong market position that will permit the company to rapidly and profitably expand the market for its products, and (iii) significant competitive advantages that will permit the company to sustain its market shares and profit margins.

### Securities and Dilution

The purpose of the concurrent financing is to raise funds to carry out the Company's business objectives with the ultimate objective of establishing a human resources company providing unique Web-based solutions to the small and medium-sized business enterprises. The only source of future funds presently available to the Company is through the sale of equity capital or the assumption of debt. There is no assurance that such sources of financing will be available on acceptable terms, if at all. If the Company seeks additional equity financing, the issuance of additional shares will dilute the interests of their current shareholders. Failure to obtain such additional financings could result in delay or indefinite postponement of the Company's strategic goals.

### Competition

The computer software backup/recovery industry is intensely competitive in all of its phases, and the Company will compete with many companies possessing greater financial resources and technical facilities than the Company.

### Conflicts of Interest

Certain of the Company's proposed directors and senior officers are directors or hold positions in other public companies. If any disputes arise between these organizations and the Company, or if certain of these organizations undertake transactions with the Company's competitors, there exists the possibility for such persons to be in a position of conflict. Any decision or recommendation made by these persons involving the Company will be made in accordance with their duties and obligations to deal fairly and in good faith with the Company and such other organizations. In addition, as applicable, such directors and officers will abstain from voting on any matter in which they have a conflict of interest.

### No History of Earnings or Dividends

As a newly formed company, the Company has no history of earnings, and there is no assurance that the Company will generate earnings, operate profitably or provide a return on investment in the future. The Company has no plans to pay dividends for the foreseeable future.

### Potential Profitability Depends Upon Factors Beyond the Control of the Company

The potential profitability of the Company is dependent upon many factors beyond the Company's control. Profitability also depends on the costs of operations, including costs of labor, equipment, electricity, regulatory compliance or other production inputs. Such costs will fluctuate in ways the Company cannot predict and are beyond the Company's control, and such fluctuations will impact on profitability and may eliminate profitability altogether. Additionally, events that cause worldwide economic uncertainty may make raising of funds for development difficult. These changes and events may materially affect the financial performance of the Company.

#### Dependency on a Small Number of Management Personnel

The Company is dependent on a relatively small number of key personnel, the loss of any of whom could have an adverse effect on the Company and its business operations.

#### Failure to perform contracts

Contracts for the Company's services may include penalties and/or incentives related to performance, which could materially affect operating results. Management provides for any anticipated penalties against contract value.

#### Project performance

Any inability of the Company to execute customer projects in accordance with requirements, including adherence to timetables, could have a material adverse effect on the Company's business, operations and prospects.

#### Intangible asset impairment

The Company has recognized the value of its contracts and customer list as an intangible asset. The Company assesses these assets periodically to evaluate if value recognized as an asset has become impaired. If the Company were to determine that the applicable expected future cash flows do not support the intangible asset book values, impairment would need to be recognized that could have an adverse impact on the financial results of the Company.

#### Future capital requirements

The Company's future capital requirements will depend on many factors, including inorganic growth initiatives, securing new contracts, the rate of expansion and the status of competitive products. Depending on these factors, the Company may require additional financing which may or may not be available on acceptable terms. If additional funds are raised by issuing equity securities, dilution to the existing shareholders may result. If adequate funds are not available, the Company may not be able to achieve its growth objectives and operational targets, which could have a material adverse effect on the Company's business.

### **Officers and Directors**

|                  |  |
|------------------|--|
| Van Potter       | CEO & Director                               |
| Brian Cameron    | CFO & Director                               |
| Michael Bartlett | Executive Chairman of the Board and Director |
| Jeffrey Wareham  | Director                                     |

Ed Holder

Director

**Contact Address**

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