



**Certive Solutions Inc.**

**Condensed Consolidated Financial Statements**  
*(Expressed in U.S. Dollars)*

**For the period ended November 30, 2017**

CONSOLIDATED FINANCIAL STATEMENTS

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No Auditor Review of the Condensed Consolidated Interim  
Financial Statements

The accompanying unaudited condensed consolidated interim financial statements of Certive Solutions Inc. (the “Company”), for the six-month period ended November 30, 2017 have been prepared by management and have not been the subject of a review by the Company’s external independent auditors.

*Certive Solutions Inc.*

Vancouver, British Columbia  
January 29, 2018

## Certive Solutions Inc.

Condensed consolidated interim statements of financial position as at  
(Unaudited - Expressed in U.S. Dollars)

	Notes	November 30, 2017	May 31, 2017
<b>ASSETS</b>			
<b>Current assets</b>			
Cash	\$	129,876	\$ 138,258
Receivables		475,109	501,322
Prepayments		-	16,597
<b>Total current assets</b>		<b>604,985</b>	656,177
<b>Non-Current Assets</b>			
Capital assets		-	6,250
Trade name		200,000	200,000
Goodwill		465,000	465,000
Customer list		995,855	995,855
Software development		419,210	433,750
<b>Total non-current assets</b>		<b>2,080,065</b>	2,100,855
<b>Assets from discontinued operations</b>		-	182,886
<b>Total assets</b>	\$	<b>2,685,050</b>	\$ 2,939,918
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	\$	2,033,476	\$ 1,370,673
Convertible debt		2,085,464	1,428,249
Short term loans		221,478	297,487
<b>Total current liabilities</b>		<b>4,340,418</b>	3,096,409
<b>Non-current liabilities</b>			
Derivative liability		283,323	268,707
<b>Total liabilities</b>		<b>4,623,741</b>	3,365,116
<b>Shareholders' Equity (Deficit)</b>			
Share capital		21,030,282	21,057,849
Shares to be issued		99,763	-
Reserve – Transaction costs		(646,766)	(612,593)
Reserve – Share options		1,854,015	1,854,015
Reserve – Share warrants		655,115	487,220
Equity portion of convertible debt		385,646	300,715
Other equity instruments		840,000	840,000
Contributed surplus		766,829	766,829
Deficit		(26,923,575)	(25,119,233)
<b>Total shareholders' deficit</b>		<b>(1,938,691)</b>	(425,198)
<b>Total shareholders' deficit and liabilities</b>	\$	<b>2,685,050</b>	\$ 2,939,918

Nature of operations and going concern (Note 1)

Subsequent events (Note 21)

Approved on behalf of the Board of Directors:

"Brian Cameron"

Director

Brian Cameron

"Van Potter"

Director

Van Potter

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

## Certive Solutions Inc.

Condensed consolidated interim statements of loss and comprehensive loss for the periods ended:  
(Unaudited - Expressed in U.S. Dollars)

	Three months ended November 30, 2017	Three months ended November 30, 2016	Six months ended November 30, 2017	Six months ended November 30, 2016
<b>REVENUE</b>				
Billing support	\$ -	\$ 305,835	\$ -	\$ 669,918
Claim audit and collections	-	514,181	-	1,296,481
Consulting revenue	56,282	70,004	117,134	144,260
Chargemaster revenue	355,170	458,831	692,470	737,152
Dashboard sales	35,940	24,957	75,348	42,297
<b>Total revenue</b>	<b>447,392</b>	<b>1,373,808</b>	<b>884,952</b>	<b>2,890,108</b>
<b>OPERATING COSTS</b>				
Commission	7,320	43,748	17,172	64,175
Contractors and consulting fees	85,461	139,206	176,383	294,042
Direct payroll and employee benefits	243,060	814,767	474,355	1,568,392
Travel to client sites	999	8,161	4,082	18,987
Licence fees	-	1,030	150	3,681
<b>Total operating costs</b>	<b>336,840</b>	<b>1,006,912</b>	<b>672,142</b>	<b>1,949,277</b>
<b>Gross profit</b>	<b>110,552</b>	<b>336,896</b>	<b>212,810</b>	<b>940,831</b>
<b>EXPENSES</b>				
Advisory board fees	22,500	27,500	45,000	75,000
Amortization	19,568	25,390	45,387	51,091
Bank charges and interest	143,304	63,042	250,545	149,321
Consulting fees	91,800	71,500	172,300	127,000
Corporate finance	7,200	43,300	60,600	98,150
Directors' fees	40,000	15,000	122,200	35,000
Foreign exchange	13,581	(700)	41,244	(2,027)
General and administrative	51,475	108,748	97,936	231,393
Investor relations	-	30,000	7,500	70,000
Management fees	141,000	162,000	288,000	289,000
Professional fees	146,761	137,249	242,792	187,541
Rent	76,174	88,712	114,549	175,787
Salaries and wages	218,279	224,227	419,486	445,393
Sales and marketing	-	45,700	542	54,700
Transfer agent and filing fees	11,227	12,221	17,381	17,960
Travel and promotion	40,920	41,638	77,074	94,187
<b>Total expenses</b>	<b>1,023,789</b>	<b>1,095,527</b>	<b>2,002,536</b>	<b>2,099,496</b>
	<b>(913,237)</b>	<b>(728,631)</b>	<b>(1,789,726)</b>	<b>(1,158,665)</b>
Share-based compensation	-	(432,384)	-	(432,384)
Derivative recovery (expense)	183,468	-	(14,616)	-
<b>Net loss and comprehensive loss for the period</b>	<b>\$ (729,769)</b>	<b>\$ (1,161,015)</b>	<b>\$ (1,804,342)</b>	<b>\$ (1,591,049)</b>
<b>Basic and diluted loss per common share</b>	<b>\$ (0.01)</b>	<b>\$ (0.02)</b>	<b>\$ (0.02)</b>	<b>\$ (0.02)</b>
<b>Weighted average number of common share outstanding</b>	<b>79,037,430</b>	<b>67,085,477</b>	<b>79,037,430</b>	<b>67,085,477</b>

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

**Certive Solutions Inc.**

Condensed consolidated interim statements of cash flows for the six month periods ended November 30,  
(Unaudited - Expressed in U.S. Dollars)

	<b>2017</b>	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss for the period	\$ (1,804,342)	\$ (1,591,049)
Items not affecting cash:		
Amortization	45,387	25,701
Share compensation expense	-	432,384
Related parties	-	(56,504)
Accrued interest and accretion	103,991	-
Amortization of finance costs	93,968	-
Foreign derivative	14,616	-
Foreign exchange	20,557	-
Non-cash working capital item changes:		
Receivables	26,213	(37,375)
Prepaid and other assets	16,597	(810)
Accounts payable and accrued liabilities	662,803	23,532
Due to related parties	-	-
Net cash used in operating activities	<u>(820,210)</u>	<u>(1,204,121)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of software development	(24,597)	(13,013)
Capital assets	-	10,462
Cash received from Titan	100,000	-
Net cash used in investing activities	<u>75,403</u>	<u>(2,551)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short term loan	72,131	590,811
Proceeds from convertible debt	664,294	(998,971)
Issuance of shares	-	2,037,309
Subscription payable	-	40,893
Net cash from financing activities	<u>736,425</u>	<u>1,670,042</u>
<b>Net change in cash during the period</b>	<b>(8,382)</b>	463,370
<b>Cash, beginning of the period</b>	<b>138,258</b>	213,280
<b>Cash, end of the period</b>	<b>\$ 129,876</b>	<b>\$ 676,650</b>
<b>Cash (paid) received for</b>		
Interest	\$ -	\$ -
Taxes	\$ -	\$ -

## Non cash transactions:

During the period ended November 30, 2017, the Company transferred \$148,140 from short-term debt to convertible notes

During the period ended November 30, 2017, the Company issued 1,666,700 shares valued at \$55,319 as a transaction costs on convertible debt.

During the period ended November 30, 2017, the Company has recorded \$99,763 as a transaction cost on convertible debentures that will be settled by the issuance of 3,125,000 shares.

**Certive Solutions Inc.**

Condensed consolidated interim statements of changes in equity for the period ended November 30,  
(Unaudited - Expressed in U.S. Dollars)

	Capital Stock		Shares to be issued	Reserve Transaction costs	Reserve Share options	Reserve Warrants	Contributed surplus	Other equity instruments	Equity portion of convertible debt	Deficit	Total
	Number of Shares	Amount									
<b>Balance, May 31, 2016</b>	67,085,477	\$ 18,094,420	\$ -	\$ (529,689)	\$ 1,948,098	\$ -	\$ 445,933	\$ 937,139	\$ 621,878	\$ (21,378,118)	\$ 139,661
Loss for the period	-	-	-	-	-	-	-	-	-	(1,591,049)	(1,591,049)
<b>Balance, November 30, 2016</b>	67,085,477	\$ 18,094,420	\$ -	\$ (529,689)	\$ 1,948,098	\$ -	\$ 445,933	\$ 937,139	\$ 621,878	\$ (22,969,167)	\$ (1,451,388)
<b>Balance, May 31, 2017</b>	79,611,397	\$ 21,057,849	\$ -	\$ (612,593)	\$ 1,854,015	\$ 487,220	\$ 766,829	\$ 840,000	\$ 300,715	\$ (25,119,233)	\$ (425,198)
Shares returned to treasury on discontinuation of Titan	(2,240,667)	(82,886)	-	-	-	-	-	-	-	-	(82,886)
Transaction costs on convertible debt	1,666,700	55,319	99,763	(34,173)	-	167,895	-	-	-	-	288,804
Convertible debt issued	-	-	-	-	-	-	-	-	84,931	-	84,931
Loss for the period	-	-	-	-	-	-	-	-	-	(1,804,342)	(1,804,342)
<b>Balance, November 30, 2017</b>	79,037,430	\$ 21,130,045	\$ 99,763	\$ (646,766)	\$ 1,854,015	\$ 655,115	\$ 766,829	\$ 840,000	\$ 385,646	\$ (26,923,575)	\$ (1,938,691)

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

## **CERTIVE SOLUTIONS INC.**

Notes to condensed consolidated interim financial statements

For the period ended November 30, 2017

*(Expressed in U.S. Dollars)*

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### **1. NATURE OF OPERATIONS AND GOING CONCERN**

Certive Solutions Inc. (the “Company”) was incorporated under the Laws of British Columbia and is traded on the Canadian Security Exchange (“CSE”) and is quoted on the OTCQB in the United States. The Company provides revenue cycle management services to U.S. hospitals, delivered collaboratively, utilizing proprietary workflow document management and analytics tools tailored to health care business processes. The Company is currently focused on the denied claim segment of revenue cycle management and provides services to enhance the efficiency and effectiveness of denied claims recovery, in revenue sharing relationships that improve hospitals’ net operating results.

The mailing address of the head office of the Company is 1140 - 1185 West Georgia Street, Vancouver, BC V6E 4E6.

The condensed consolidated financial statements of the Company are presented in U.S. dollars, unless otherwise indicated, which is the functional currency of the Company.

These condensed consolidated financial statements have been prepared using International Financial Reporting Standards (“IFRS”) on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The Company’s ability to continue as a going concern is dependent upon the ability of the Company to obtain financing and generate positive cash flows from its operations. As at November 30, 2017, the Company has a working capital deficit of \$3,735,433, a loss for the period of \$1,804,342 and a deficit of \$26,923,575.

Management of the Company does not expect that cash flows for the Company’s operations will be sufficient to cover its operating requirements, financial commitments and business development priorities during the next twelve months. The Company will need to obtain further financing in the form of debt, equity or a combination thereof for the next twelve months to fund operations. There can be no assurance that additional funding will be available to the Company, or, if available, that this funding will be on acceptable terms. If adequate funds are not available, the Company may be required to delay or reduce the scope of its operations.

These condensed consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classification that would be necessary were the going concern assumption deemed to be inappropriate. These adjustments could be material.



## **CERTIVE SOLUTIONS INC.**

Notes to condensed consolidated interim financial statements

For the period ended November 30, 2017

*(Expressed in U.S. Dollars)*

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### **2. BASIS OF PRESENTATION**

#### **a) Statement of compliance to International Financial Reporting Standards**

The condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of condensed consolidated interim financial statements, including IAS 34, Interim Financial Reporting and using the same accounting policies and methods of computation as the Company’s most recent annual consolidated financial statements. The condensed consolidated financial statements do not include all the information required for full annual financial statements. These condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended May 31, 2017.

The accounting policies followed by the Company are as set out in the audited financial statements for the year ended May 31, 2017 and have been consistently followed in the preparation of these condensed consolidated financial statements.

The consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments classified as fair value through profit and loss, and available for sale, which are stated at fair value. 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 reviewed and approved and authorized for issue by the Board of Directors of the Company on January 29, 2018.

#### **b) Significant accounting judgements and estimates**

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

##### Critical Judgements

The preparation of these consolidated financial statements requires management to make judgements regarding the going concern of the Company, as previously discussed in Note 1, as well as determination of functional currency. The functional currency is the currency of the primary economic environment in which an entity operates, and has been determined for each entity within the Company. The functional currency for the Company and its subsidiaries has been determined to be the U.S. dollar.

##### Key Sources of Estimation Uncertainty

Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements in conformity of IFRS requires management to make estimates that affect the reported amounts of assets and liabilities and the disclosure of assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting periods. Actual results could differ from those estimates and such differences could be material. Significant estimates made by management affecting the consolidated financial statements include:

## **CERTIVE SOLUTIONS INC.**

Notes to condensed consolidated interim financial statements

For the period ended November 30, 2017

*(Expressed in U.S. Dollars)*

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### **2. BASIS OF PRESENTATION (cont'd...)**

#### **b) Significant accounting judgements and estimates (cont'd...)**

##### Key Sources of Estimation Uncertainty (cont'd...)

##### i) Share-based Payments

Estimating the fair value for granted stock options and compensatory warrants requires determining the most appropriate valuation model which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate model including the expected life of the option or warrant, volatility, dividend yield, and rate of forfeitures and making assumptions about them.

##### ii) Useful lives of property and equipment and intangible assets

Estimates of the useful lives of property and equipment and intangible assets are based on the period over which the assets are expected to be available for use. The estimated useful lives are reviewed annually and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence, and legal or other limits on the use of the relevant assets. In addition, the estimation of the useful lives of the relevant assets may be based on internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in the factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factor and circumstances.

##### iii) 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 un-utilized tax losses require management to assess the likelihood that the Company will generate taxable earnings in future years, 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 years.

##### iv) Carrying values of tangible and intangible assets

The Company assesses the carrying value of its tangible and intangible assets annually or more frequently if warranted by a change in circumstances. If it is determined that carrying values of assets cannot be recovered, the unrecoverable amounts are charged against current earnings. Recoverability is dependent upon assumption and judgements regarding market conditions, costs of operations and sustaining capital requirements. Other assumptions used in the calculation of recoverable amounts are discount rates, and future cash flows. A material change in the assumptions may significantly impact the potential impairment of these assets.

## CERTIVE SOLUTIONS INC.

Notes to condensed consolidated interim financial statements

For the period ended November 30, 2017

(Expressed in U.S. Dollars)

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### 2. BASIS OF PRESENTATION (cont'd...)

#### b) Significant accounting judgements and estimates (cont'd...)

##### Key Sources of Estimation Uncertainty (cont'd...)

##### v) 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 involve the exercise of significant judgment and estimates of the outcome of future events.

#### c) 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, and each of its subsidiaries is the U.S. dollars.

#### d) Basis of consolidation

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

Details of the Company's subsidiaries are as follows:

<b>Name</b>	<b>Place of incorporation</b>	<b>Interest %</b>	<b>Principal activity</b>
Certive Solutions Inc.	British Columbia, Canada	100%	Revenue cycle management solutions
Certive Technologies Arizona Inc.	Arizona, United States	100%	Revenue cycle management solutions
Omega Technologies Solutions LLC.	Florida, United States	100%	Revenue cycle management solutions
Titan Health Management Solutions Inc.	Arizona, United States	100%	Revenue cycle management solutions
Knowledge Capital Alliance	Arizona, United States	100%	Revenue cycle management solutions
Advantive Information Systems Inc.	British Columbia, Canada	100%	Revenue cycle management solutions

## CERTIVE SOLUTIONS INC.

Notes to condensed consolidated interim financial statements

For the period ended November 30, 2017

(Expressed in U.S. Dollars)

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### 3. FUTURE ACCOUNTING PRONOUNCEMENTS

#### 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.

*IFRS 16 - Leases*, effective for annual periods beginning on or after 1 January 2019. The scope of IFRS 16 includes leases of all assets, with certain exceptions. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. IFRS 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

## CERTIVE SOLUTIONS INC.

Notes to condensed consolidated interim financial statements

For the period ended November 30, 2017

(Expressed in U.S. Dollars)

### 4. RECEIVABLES

	November 30, 2017	May 31, 2017
GST input tax credits	\$ 4,449	\$ 7,718
Trade receivables	102,018	124,962
Work in progress	368,642	368,642
	\$ 475,109	\$ 501,322

- The average credit period on rendering of services is between 30 to 45 days. No interest is charged on outstanding trade receivables.

### 5. CAPITAL ASSETS

	Furniture and equipment
<b><u>Cost</u></b>	
Balance at May 31, 2016, 2017 and November 30, 2017	\$ 129,270
<b><u>Accumulated Amortization</u></b>	
Balance at May 31, 2016	\$ 81,915
Amortization	41,105
Balance at May 31, 2017	123,020
Amortization	6,250
Balance at November 30, 2017	\$ 129,270
<b><u>Net Book Value</u></b>	
At May 31, 2017	\$ 6,250
At November 30, 2017	\$ -

## CERTIVE SOLUTIONS INC.

Notes to condensed consolidated interim financial statements

For the period ended November 30, 2017

(Expressed in U.S. Dollars)

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### 6. BUSINESS COMBINATIONS AND ASSETS WITH INDEFINITE LIVES

As part of several business combination transactions, the Company acquired a trade name and customer lists, and recognized goodwill.

#### Acquisition of Omega Technology Solutions LLC.

On July 15, 2015, the Company closed the acquisition of the assets of Omega Technology Solutions LLC., ("Omega") of Fort Lauderdale, Florida. The initial purchase price recorded for the purchased assets was \$1,440,000 paid by Certive Technologies Arizona ("Certive USA") as follows:

- Initial cash payment in the amount of \$200,000, paid on August 31, 2015.
- The issuance of 1,333,334 units of the Company valued at \$400,000. Each unit consisted of one common share and one common share purchase warrant exercisable into one common share of the Company at a price of \$0.35.
- A convertible promissory note on the date of initial closing for \$600,000. The convertible promissory note will bear interest of 10% per annum and have a two-year term from the date of initial closing. The Company and the holder of the note have agreed to convert this note into shares. As a result, \$600,000 was transferred from convertible debt to other equity reserve for the shares allotted to be issued. (Note 13).
- In addition to this, and contingent on the results from operations, the Company will issue 1,300,000 preferred shares. Commencing on the date of initial closing and for a period of three years (the "Earn Out Period"), if at any time during the Earn Out Period, the Company receives cumulatively \$1,000,000 in gross revenue from the acquired assets or from any of Omega's current software offerings, the preferred shares shall be redeemable by the Company at a price of \$1.00 per share for each \$1.00 earned from the scheduled contracts by Certive USA in excess of \$1,000,000. Any shares not otherwise redeemed after the Earn Out Period will be cancelled at that time. As at May 31, 2017 and November 30, 2017, the Earn Out Shares have been determined to be earned out, and the fair value of preferred shares was assessed to be \$240,000.

The purchase price of Omega was allocated as follows:

Working capital	\$	50,000
Fixed assets		75,000
Software		170,000
Trade name		200,000
Customer list		480,000
Goodwill		465,000
Total	\$	1,440,000

## **CERTIVE SOLUTIONS INC.**

Notes to condensed consolidated interim financial statements

For the period ended November 30, 2017

*(Expressed in U.S. Dollars)*

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### **6. BUSINESS COMBINATIONS AND ASSETS WITH INDEFINITE LIVES (cont'd...)**

#### Acquisition of Knowledge Capital Alliance Inc.

On August 31, 2014 the Company, acquired 100% of the assets of Knowledge Capital Alliance (“KCA”) of Phoenix, Arizona.

The purchase price for the assets \$515,855, was paid as follows:

- The Company will make a cash payment of \$72,000 (paid).
- The Company will issue to KCA a total of 900,000 common shares of its capital stock. These were issued during the year ended May 31, 2017.
- The Company shall assume the KCA obligation to a promissory note with Tom Keller (“Keller”) in the amount of \$256,200. This was settled during the year ended May 31, 2017.

The Company attributed the entire purchase price of \$515,855 to the value of the customer lists acquired.

#### Acquisition of Titan Health Management Solutions Inc.

On July 3, 2014, the Company closed the purchase of the business of Titan Health Management Solutions Inc. (“Titan”) of Tucson Arizona, for a purchase price of \$2,568,653 to be paid as follows:

- The Company paid Titan \$100,000 in cash on July 3, 2014. An additional amount of \$208,000 was due to be paid on or before December 31, 2015. During the period ended August 31, 2017, the amount owed of \$208,000 was forgiven as part of a mutual release and settlement agreement between the Company and Titan, and \$100,000 was returned to the Company. (Note 11).
- In addition, the Company signed a convertible promissory note, in original principal amount of one million \$1,800,000, which convertible note shall provide for payment, plus accrued and unpaid interest, to be paid on or before December 31, 2015. During the period ended August 31, 2017, the amount owed of \$1,800,000 was forgiven as part of a mutual release and settlement agreement between the Company and Titan. (Note 11).
- The Company will issue to Titan Health a total of 1,000,000 common shares of Company in partial payment of the purchase price. As at November 30, 2017, these shares were no longer issuable to Titan by the Company as part of a mutual release and settlement agreement between the Company and Titan. (Note 11).
- The Company will also issue to Titan Health a total of 1,250,000 preferred shares of Company at the closing in partial payment of the Purchase Price which are convertible on a 1 for 1 basis into common shares of the Company on the following basis. As at November 30, 2017, these shares were no longer issuable to Titan by the Company as part of a mutual release and settlement agreement between the Company and Titan. (Note 11).

## CERTIVE SOLUTIONS INC.

Notes to condensed consolidated interim financial statements

For the period ended November 30, 2017

(Expressed in U.S. Dollars)

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### 7. TRADE NAME

As at November 30, 2017 and May 31, 2017, the Company has capitalized \$200,000 for a trade name acquired from the acquisition of Omega (Note 6).

### 8. GOODWILL

As at November 30, 2017 and May 31, 2017, the Company has capitalized \$465,000 for goodwill acquired from the acquisition of Omega (Note 6).

### 9. CUSTOMER LISTS

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	<b>Titan Health Management Solutions</b>	<b>Knowledge Capital Alliance Inc.</b>	<b>Omega Technology Solutions LLC</b>	<b>Total</b>
Balance, May 31, 2016	\$ 2,530,547	\$ 515,855	\$ 480,000	\$ 3,526,402
Discontinued operations (Note 11)	(2,530,547)	-	-	(2,530,547)
Balance, November 30, 2017 and May 31, 2017	\$ -	\$ 515,855	\$ 480,000	\$ 995,855

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The Company acquired these customer lists as part of the acquisition of Titan, KCA, and Omega (Note 6). During the period ended November 30, 2017, the Company entered into a Settlement and Mutual release agreement with Titan. As a result, all assets and liabilities associated with Titan have were reclassified as assets held for disposition as at May 31, 2017. (Note 11).



**CERTIVE SOLUTIONS INC.**

Notes to condensed consolidated interim financial statements

For the period ended November 30, 2017

*(Expressed in U.S. Dollars)***10. SOFTWARE DEVELOPMENT**

	<b>Software Development</b>
<b><u>Cost</u></b>	
Balance at May 31, 2016	\$ 417,967
Additions	130,752
Balance at May 31, 2017	548,719
Additions	24,597
Balance at November 30, 2017	\$ 573,316
<b><u>Accumulated Amortization</u></b>	
Balance at May 31, 2016	\$ 49,975
Amortization	64,994
Balance at May 31, 2017	114,969
Amortization	39,137
Balance at November 30, 2017	\$ 154,106
<b><u>Net Book Value</u></b>	
At May 31, 2017	\$ 433,750
At November 30, 2017	\$ 419,210

## CERTIVE SOLUTIONS INC.

Notes to condensed consolidated interim financial statements

For the period ended November 30, 2017

(Expressed in U.S. Dollars)

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### 11. DISCONTINUED OPERATIONS

During the period ended November 30, 2017, the Company entered into a settlement agreement and mutual release (the "Settlement Agreement") with Titan. Pursuant to this Settlement Agreement, the Company and Titan agreed to terminate the purchase agreement entered into in July 2014 (Note 6). The terms of the Settlement Agreement are as follows:

- The assets, liabilities, and business of Titan will be returned to Titan, and the Company will relinquish any rights or interest in the operation results of Titan that are earned on or after June 1, 2017;
- The Company will receive \$100,000 cash. All other assets and liabilities as at June 1, 2017 will remain with Titan;
- Titan will return 2,240,667 common shares of the Company.
- Titan will forgive the convertible note of \$1,800,000 and all accrued interest;
- Titan will forgive the \$208,000 non-convertible note owing by the Company;
- The 1,000,000 common shares of the Company pursuant to the acquisition (Note 6) will no longer be issuable to Titan.
- The 1,250,000 preferred shares of the Company pursuant to the acquisition (Note 6) will no longer be issuable to Titan.

This settlement agreement constitutes a discontinued operation of the Company as at May 31, 2017. As a result, all of 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.

### 12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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	<b>November 30, 2017</b>	<b>May 31, 2017</b>
Accounts payable	\$ 1,339,673	\$ 885,214
Accrued liabilities	693,803	485,459
	\$ 2,033,476	\$ 1,370,673

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## CERTIVE SOLUTIONS INC.

Notes to condensed consolidated interim financial statements

For the period ended November 30, 2017

(Expressed in U.S. Dollars)

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### 13. CONVERTIBLE DEBT

During the period ended November 30, 2017, the Company issued the following convertible notes:

- Convertible promissory note in June 2017 in the amount of \$146,727 (CAD\$200,000), maturing on May 20, 2019. These funds were received during the year May 31, 2017, however, the terms of the loan were negotiated in June 2017. The note bears interest at 10% per annum payable at maturity, calculated semi-annually up to and including the term of the note. The Company shall not be penalized for early repayment of any, or all of the note. The note is convertible into common shares of the Company at a price of CDN\$0.06 per share at the option of the Company. In addition, the Company issued 3,333,400 warrants exercisable into common shares of the Company at a price of CDN\$0.06 expiring on May 20, 2019. These warrants were valued at \$94,315 using the Black Scholes option pricing model with an expected volatility of 174.49%, discount rate of 0.70%, expected life of 2 years, and a dividend rate of 0%. In addition, 666,700 shares valued at \$24,691 were issued to the lender of this note, and recorded as transaction costs. Of the total value of the transaction costs, \$13,015 was recorded as a cost of the equity component of the convertible note. The remainder was recorded against the liability portion of the note, and will be amortized over the term of the note.
- Convertible promissory note in June 2017 in the amount of \$150,560 (CAD\$200,000), maturing on June 15, 2019. The note bears interest at 10% per annum payable at maturity, calculated semi-annually up to and including the term of the note. The Company shall not be penalized for early repayment of any, or all of the note. The note is convertible into common shares of the Company at a price of CDN\$0.06 per share at the option of the Company. In addition, the Company issued 3,333,334 warrants exercisable into common shares of the Company at a price of CDN\$0.06 expiring on June 15, 2019. These warrants were valued at \$73,286 using the Black Scholes option pricing model with an expected volatility of 172.87%, discount rate of 0.91%, expected life of 2 years, and a dividend rate of 0%. In addition, 1,000,000 shares valued at \$30,628 were issued to the lender of this note, and recorded as transaction costs. Of the total value of the transaction costs, \$11,396 was recorded as a cost of the equity component of the convertible note. The remainder was recorded against the liability portion of the note, and will be amortized over the term of the note.
- Convertible promissory note in July, 2017 in the amount of \$45,000 maturing on July 24, 2019. The note bears interest at 10% per annum payable at maturity, calculated semi-annually up to and including the term of the note. The Company shall not be penalized for early repayment of any, or all of the note. The note is convertible into common shares of the Company at a price of \$0.03 per share at the option of the lender. Of the total amount of the convertible note, \$4,403 was recorded as the equity component of the loan, and \$40,597 was recorded as a liability.
- Convertible promissory note in August, 2017 in the amount of \$60,000 maturing on August 15, 2019. The note bears interest at 10% per annum payable at maturity, calculated semi-annually up to and including the term of the note. The Company shall not be penalized for early repayment of any, or all of the note. The note is convertible into common shares of the Company at a price of \$0.03 per share at the option of the lender. Of the total amount of the convertible note, \$5,871 was recorded as the equity component of the loan, and \$54,129 was recorded as a liability.

## CERTIVE SOLUTIONS INC.

Notes to condensed consolidated interim financial statements

For the period ended November 30, 2017

(Expressed in U.S. Dollars)

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### 13. CONVERTIBLE DEBT (cont'd...)

- Convertible promissory note in October, 2017 in the amount of \$50,000 maturing on October 3, 2019. The note bears interest at 10% per annum payable at maturity, calculated semi-annually up to and including the term of the note. The Company shall not be penalized for early repayment of any, or all of the note. The note is convertible into common shares of the Company at a price of \$0.05 per share at the option of the lender. Of the total amount of the convertible note, \$4,893 was recorded as the equity component of the loan, and \$45,107 was recorded as a liability.
- Convertible promissory note in October, 2017 with a face value of \$299,288 (CAD\$375,000), maturing on October 16, 2019. This loan was issued at a discount, with the Company receiving \$279,335 (CAD\$350,000). The note bears interest at 10% per annum payable at maturity, calculated semi-annually up to and including the term of the note. The Company shall not be penalized for early repayment of any, or all of the note. The note is convertible into common shares of the Company at a price of CDN\$0.04 per share at the option of the Company. The Company is to issue 3,125,000 shares valued at \$99,763 to the lender of this note, and have been recorded as transaction costs. Of the total value of the transaction costs, \$9,762 was recorded as a cost of the equity component of the convertible note. The remainder was recorded against the liability portion of the note, and will be amortized over the term of the note.
- Convertible promissory note in November, 2017 in the amount of \$50,000 maturing on November 2, 2019. The note bears interest at 10% per annum payable at maturity, calculated semi-annually up to and including the term of the note. The Company shall not be penalized for early repayment of any, or all of the note. The note is convertible into common shares of the Company at a price of \$0.05 per share at the option of the lender. Of the total amount of the convertible note, \$4,893 was recorded as the equity component of the loan, and \$45,107 was recorded as a liability.
- Convertible promissory note in November, 2017 in the amount of \$30,000 maturing on November 24, 2019. The note bears interest at 10% per annum payable at maturity, calculated semi-annually up to and including the term of the note. The Company shall not be penalized for early repayment of any, or all of the note. The note is convertible into common shares of the Company at a price of \$0.04 per share at the option of the lender. Of the total amount of the convertible note, \$2,936 was recorded as the equity component of the loan, and \$27,064 was recorded as a liability.

## CERTIVE SOLUTIONS INC.

Notes to condensed consolidated interim financial statements

For the period ended November 30, 2017

(Expressed in U.S. Dollars)

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### 13. CONVERTIBLE DEBT (cont'd...)

During the year ended May 31, 2017, the Company issued the following convertible notes:

- Convertible promissory note in November, 2016 in the amount of \$299,918 (CAD\$400,000), maturing on May 31, 2017. The note bears interest at 10% per annum payable at maturity, calculated semi-annually up to and including the term of the note. The Company shall not be penalized for early repayment of any, or all of the note. The note is convertible into common shares of the Company at a price of CDN\$0.25 per share at the option of the Company. In addition, the Company issued 1,600,000 warrants exercisable into common shares of the Company at a price of CDN\$0.15 expiring on November 21, 2018. These warrants were valued at \$126,262 using the Black Scholes option pricing model with an expected volatility of 194.87%, discount rate of 0.67%, expected life of 2 years, and a dividend rate of 0%. Of this value, \$3,652 was recorded as a cost of the equity component of the convertible note. The remainder was recorded in the statement of loss and comprehensive loss since the note matured on May 31, 2017. As at May 31, 2017, the Company has recorded this note at \$296,280, using an effective interest rate of 15%. As at May 31, 2017, the Company had accrued interest of \$17,465 included in accrued liabilities.
- Convertible promissory note in January, 2017 in the amount of \$524,856 (CDN\$700,000), maturing on January 23, 2019. The note bears interest at 10% per annum payable at maturity, calculated semi-annually up to and including the term of the note. Thereafter, interest shall accrue at a rate of 18% per annum calculated semi-annually. The Company shall not be penalized for early repayment of any, or all of the note. The note is convertible into common shares of the Company at a price of CDN\$0.15 per share. In addition, the Company issued 2,500,000 warrants exercisable into common shares of the Company at a price of CDN\$0.15 expiring on January 23, 2019. These warrants were valued at \$212,613, using the Black Scholes option pricing model with an expected volatility of 183.05%, discount rate of 0.78%, expected life of 2 years, and a dividend rate of 0%. Of this value, \$23,252 was recorded as a cost of the equity component of the convertible note. The remainder was capitalized against the value of the note, and will be amortized over the term of the note. As at May 31, 2017, the Company has recorded this note at \$316,539, using an effective interest rate of 15%. As at May 31, 2017, the Company had accrued interest of \$13,386 included in accrued liabilities.
- Convertible promissory notes in May, 2017 in the amount of \$150,000, maturing on May 1, 2019. The notes bear interest at 10% per annum payable quarterly, calculated semi-annually up to and including the term of the notes. Thereafter, interest shall accrue at a rate of 18% per annum calculated semi-annually. The Company shall not be penalized for early repayment of any, or all of the notes. The notes are convertible into common shares of the Company at a price of \$0.15 per share. As at May 31, 2017, the Company has recorded these notes at a value of \$135,666, using an effective interest rate of 15%. As at May 31, 2017, the Company had accrued interest of \$1,346 included in accrued liabilities.
- Convertible promissory note in March, 2017 in the amount of \$100,000, maturing on March 20, 2019. The note bears interest at 10% per annum payable quarterly, calculated semi-annually up to and including the term of the note. Thereafter, interest shall accrue at a rate of 18% per annum calculated semi-annually. The Company shall not be penalized for early repayment of any, or all of the note. The note is convertible into common shares of the Company at a price of \$0.15 per share. As at May 31, 2017, the Company has recorded this note at fair value of \$90,763, using an effective interest rate of 15%. As at May 31, 2017, the Company had accrued interest of \$2,126 included in accrued liabilities.

## CERTIVE SOLUTIONS INC.

Notes to condensed consolidated interim financial statements

For the period ended November 30, 2017

(Expressed in U.S. Dollars)

### 13. CONVERTIBLE DEBT (cont'd...)

As at November 30, 2017, the Company has the following convertible notes outstanding:

	May 31, 2017	Addition	Accretion, interest and amortized transaction costs	Converted/ Settled	Foreign exchange	November 30, 2017
Various notes, convertible at \$0.25 with an interest rate of 10% per annum, with a maturity date of June 30, 2016	35,000	-	-	-	-	35,000
Convertible note of CDN\$400,000 convertible at CDN\$0.15 with 8% interest, and a maturity date of July 15, 2017.	242,882	-	15,349	-	17,653	275,884
Various notes convertible at CDN\$0.50 with 8% interest, and a maturity date of June 19, 2017	311,119	-	448	-	18,500	330,067
Convertible notes of \$150,000 convertible at \$0.15 with 10% interest, and a maturity date of May 1, 2019.	135,666	-	2,160	-	-	137,826
Convertible notes of \$100,000 convertible at \$0.15 with 10% interest, and a maturity date of March 20, 2019.	90,763	-	1,469	-	-	92,232
Convertible notes of CDN\$400,000 convertible at CDN\$0.25 with 10% interest, and a maturity date of May 31, 2017.	296,280	-	-	-	15,840	312,120
Convertible notes of CDN\$700,000 convertible at CDN\$0.15 with 10% interest, and a maturity date of January 23, 2019.	316,539	-	(33,125)	-	112,632	396,046
Convertible notes of CDN\$200,000 convertible at CDN\$0.06 with 10% interest, and a maturity date of May 20, 2019.	-	133,559	(79,993)	-	5,595	59,161
Convertible notes of CDN\$200,000 convertible at CDN\$0.06 with 10% interest, and a maturity date of June 15, 2019.	-	133,559	(70,479)	-	5,559	68,639
Convertible notes of \$45,000 convertible at \$0.03 with 10% interest, and a maturity date of July 24, 2019.	-	40,597	670	-	-	41,267
Convertible notes of \$60,000 convertible at \$0.03 with 10% interest, and a maturity date of August 15, 2019	-	54,129	751	-	-	54,880
Convertible notes of \$50,000 convertible at \$0.05 with 10% interest, and a maturity date of October 3, 2019	-	45,107	156	-	-	45,263
Convertible notes of CDN\$375,000 convertible at CDN\$0.04 with 10% interest, and a maturity date of October 16, 2019	-	270,001	(99,226)	-	(6,050)	164,725
Convertible notes of \$50,000 convertible at \$0.05 with 10% interest, and a maturity date of November 2, 2019	-	45,107	162	-	-	45,269
Convertible notes of \$30,000 convertible at \$0.04 with 10% interest, and a maturity date of November 24, 2019	-	27,064	21	-	-	27,085
<b>Total convertible notes</b>	<b>\$ 1,428,249</b>	<b>\$ 749,123</b>	<b>\$ (261,637)</b>	<b>\$ -</b>	<b>\$ 169,729</b>	<b>\$ 2,085,464</b>

**CERTIVE SOLUTIONS INC.**

Notes to condensed consolidated interim financial statements

For the period ended November 30, 2017

*(Expressed in U.S. Dollars)***13. CONVERTIBLE DEBT (cont'd...)**

The equity component of convertible debt is recognized as follows:

Description	May 31, 2017	Addition	Converted/ Settled	November 30, 2017
Convertible note of CDN\$400,000 convertible at CDN\$0.15 with 8% interest, and a maturity date of July 15, 2017.	\$ 129,205	\$ -	\$ -	\$ 129,205
Various notes convertible at CDN\$0.50 with 8% interest, and a maturity date of June 19, 2017	80,182	-	-	80,182
Convertible notes of \$150,000 convertible at \$0.15 with 10% interest, and a maturity date of May 1, 2019.	14,678	-	-	14,678
Convertible notes of \$100,000 convertible at \$0.15 with 10% interest, and a maturity date of March 20, 2019.	9,785	-	-	9,785
Convertible notes of CDN\$400,000 convertible at CDN\$0.25 with 10% interest, and a maturity date of May 31, 2017.	8,676	-	-	8,676
Convertible notes of CDN\$700,000 convertible at CDN\$0.15 with 10% interest, and a maturity date of January 23, 2019.	58,189	-	-	58,189
Convertible notes of CDN\$200,000 convertible at CDN\$0.06 with 10% interest, and a maturity date of May 20, 2019.	-	16,201	-	16,201
Convertible notes of CDN\$200,000 convertible at CDN\$0.06 with 10% interest, and a maturity date of June 15, 2019.	-	16,466	-	16,466
Convertible notes of \$45,000 convertible at \$0.03 with 10% interest, and a maturity date of July 24, 2019.	-	4,404	-	4,404
Convertible notes of \$60,000 convertible at \$0.03 with 10% interest, and a maturity date of August 15, 2019	-	5,871	-	5,871
Convertible notes of \$50,000 convertible at \$0.05 with 10% interest, and a maturity date of October 3, 2019	-	4,893	-	4,893
Convertible notes of CDN\$375,000 convertible at CDN\$0.04 with 10% interest, and a maturity date of October 16, 2019	-	29,287	-	29,287
Convertible notes of \$50,000 convertible at \$0.05 with 10% interest, and a maturity date of November 2, 2019	-	4,893	-	4,893
Convertible notes of \$30,000 convertible at \$0.04 with 10% interest, and a maturity date of November 24, 2019	-	2,936	-	2,936
<b>Total</b>	<b>\$ 300,715</b>	<b>\$ 84,931</b>	<b>\$ -</b>	<b>\$ 385,646</b>

## CERTIVE SOLUTIONS INC.

Notes to condensed consolidated interim financial statements

For the period ended November 30, 2017

(Expressed in U.S. Dollars)

### 14. LOANS PAYABLE

The loans are made of the following:

	November 30, 2017		May 31, 2017	
Loans from related parties	\$	103,888	\$	144,347
Loans from other entities		117,590		153,140
	\$	221,478	\$	297,487

All loans payable have no terms of repayment, are non-interest bearing and are unsecured, with the exception of a loan payable of \$22,090 which accrues interest at 5% per annum.

### 15. SHARE CAPITAL

a) Common stock

Authorized

Unlimited common shares without par value.

Unlimited Class A Preferred shares without par value, dividend at 12% of profits or surplus, redeemable at any time.

Unlimited Class B Preferred shares without par value, dividend at 13% of profits or surplus, redeemable at any time.

Issued and outstanding

During the period ended November 30, 2017, the Company had the following share transactions:

- The Company issued 1,666,700 shares valued at \$55,319 as transaction costs on convertible notes.
- 2,240,000 shares valued at \$82,886 were returned to treasury as part of the discontinuation of Titan.
- The Company recorded \$99,763 for 3,125,000 shares to be issued as transaction costs on convertible debentures. As at November 30, 2017, these shares had not yet been issued.



**CERTIVE SOLUTIONS INC.**

Notes to condensed consolidated interim financial statements

For the period ended November 30, 2017

*(Expressed in U.S. Dollars)***15. SHARE CAPITAL (cont'd...)**

## b) Share purchase warrants

The following table summarizes the continuity of share purchase warrants:

	<b>Number of Warrants</b>		<b>Weighted Average Exercise Price</b>
Outstanding, May 31, 2016	5,061,239	\$	0.19
Issued	9,091,260		0.25
Exercised	(3,727,906)		0.15
Outstanding, May 31, 2017	10,424,593		0.26
Issued	6,666,734		0.05
Outstanding, November 30, 2017	17,091,327	\$	0.18

As at November 30, 2017, the Company had the following share purchase warrants outstanding:

<b>Outstanding</b>	<b>Exercise Price</b>	<b>Remaining Life (Years)</b>	<b>Expiry Date</b>
1,333,333	\$0.35	0.00	December 1, 2017
2,101,523	\$0.35	0.78	September 12, 2018
1,600,000	CDN\$0.15	0.98	November 21, 2018
2,635,015	CDN\$0.50	1.00	November 30, 2018
254,722	CDN\$0.60	1.00	November 30, 2018
2,500,000	CDN\$0.15	1.15	January 23, 2019
3,333,400	CDN\$0.06	1.47	May 20, 2019
3,333,334	CDN\$0.06	1.54	June 15, 2019
17,091,327	\$0.18	1.11	

**CERTIVE SOLUTIONS INC.**

Notes to condensed consolidated interim financial statements

For the period ended November 30, 2017

*(Expressed in U.S. Dollars)***15. SHARE CAPITAL (cont'd...)**

## c) Stock options

The Company's Stock Option Plan is a 20% rolling plan that allows a maximum 20% of the issued shares to be reserved for issuance under the plan. Options granted under the plan may not have a term exceeding 5 years and vesting provisions are at the discretion of the Board of Directors.

The following is a summary of stock option activities during the year ended May 31, 2017 and the period ended November 30, 2017:

	Number of Stock Options	Weighted Average Exercise Price
Outstanding, May 31, 2016	12,297,417	CDN\$0.25
Granted	2,100,000	\$0.22
Exercised	(3,294,924)	CDN\$0.25
Outstanding, May 31, 2017 and November 30, 2017	11,102,493	\$0.21

At November 30, 2017, the following stock options were outstanding to directors, officers and employees:

Outstanding	Exercisable	Exercise Price	Remaining Life (Years)	Expiry Date
4,252,493	4,252,493	CDN\$0.25	3.09	December 31, 2020
4,750,000	4,750,000	CDN\$0.25	0.96	November 17, 2018
2,100,000	2,100,000	\$0.22	3.79	September 13, 2021
11,102,493	11,102,493	\$0.21	2.31	

**Share-based compensation**

The Company recognizes compensation expense for all stock options granted using the fair value based method of accounting. No options were issued during the periods ended November 30, 2017 or 2016

## d) Transactions costs reserve

The transactions costs reserve is used to record the costs directly attributable to the issue of common shares and share purchase options and is recognized as a deduction from equity, net of any tax effects.

## e) Other equity instruments

This consists of \$240,000, the value of the 1,300,000 preferred shares to be issued upon the acquisition of Omega (Note 6), and \$600,000 for the shares to be issued upon the conversion of the Omega note (Note 13).

**CERTIVE SOLUTIONS INC.**

Notes to condensed consolidated interim financial statements

For the period ended November 30, 2017

*(Expressed in U.S. Dollars)***16. DERIVATIVE LIABILITY**

The derivative financial liability 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. Details of the derivative liability as at August 31, 2017 and May 31, 2017 is as follows:

As at November 30, 2017:

<b>Expiration Date</b>	<b>Exercise price</b>	<b>Number of securities exercisable/convertible</b>	<b>Fair value as at November 30, 2017</b>
November 30, 2018	CDN\$0.50	2,635,015	\$ 9,716
November 30, 2018	CDN\$0.60	254,722	785
November 21, 2018	CDN\$0.15	1,600,000	23,310
March 23, 2019	CDN\$0.15	2,666,667	33,697
January 23, 2019	CDN\$0.15	4,666,667	56,599
January 23, 2019	CDN\$0.15	2,500,000	30,321
May 20, 2019	CDN\$0.06	3,333,400	65,165
June 15, 2019	CDN\$0.06	3,333,334	63,730
		20,989,805	\$ 288,323

These securities were valued using the Black Scholes option pricing model with a weighted average expected volatility of 165.67%, discount rate of 1.27%, expected life of 1.25 years, and a dividend rate of 0%.

As at May 31, 2017:

<b>Expiration Date</b>	<b>Exercise price</b>	<b>Number of securities exercisable/convertible</b>	<b>Fair value as at May 31, 2017</b>
November 30, 2016	CDN\$0.50	2,635,015	\$ 37,670
November 30, 2016	CDN\$0.60	254,722	3,372
November 21, 2018	CDN\$0.15	1,600,000	40,866
March 23, 2019	CDN\$0.15	2,666,667	60,407
January 23, 2019	CDN\$0.15	4,666,667	82,302
January 23, 2019	CDN\$0.15	2,500,000	44,090
		14,323,071	\$ 268,707

These securities were valued using the Black Scholes option pricing model with a weighted average expected volatility of 166.42%, discount rate of 0.69%, expected life of 1.63 years, and a dividend rate of 0%.

## CERTIVE SOLUTIONS INC.

Notes to condensed consolidated interim financial statements

For the period ended November 30, 2017

(Expressed in U.S. Dollars)

### 17. RELATED PARTY TRANSACTIONS

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

The Company's related parties consist of its Directors, Key Management Personals ("KMPs") and companies owned in whole or in part by KMPs and directors as follows:

Name	Position and nature of relationship
Canadian Date Preserve, Inc.	Company with common directors
Advantive Information Management, Inc.	Subsidiary
Certive Technologies Arizona Inc.	Subsidiary
Brian Cameron	Director
Van Potter	Director
Michael Bartlett	Director
Jack Saltich	Former director
John Shackleton	Former director
Mary Ann Miller	Former director
Thomas Hoehner	Former key management personnel
Todd Hisey	Former key management personnel
Fredrick Erickson	Key management personnel
Ann Fiero	Key management personnel
Omega Technology Solutions, LLC	Company controlled by key management personnel
Titan Health Management Solutions Inc.	Company controlled by former key management personnel
Knowledge Capital Alliance Inc.	Company controlled by key management personnel

The amounts due (to) or from the related parties are as follows:

	Nature of related party relationship	Nov 30, 2017	May 31, 2017
Loans receivable (100% allowance given)	Company controlled by common directors	\$ 502,383	\$ 493,770
Loans payable	Directors	\$ (15,000)	\$ (15,000)
Loans payable	Companies controlled by key management personnel	\$ (97,501)	\$ (107,258)

## CERTIVE SOLUTIONS INC.

Notes to condensed consolidated interim financial statements

For the period ended November 30, 2017

(Expressed in U.S. Dollars)

### 17. RELATED PARTY TRANSACTIONS (cont'd...)

The Company incurred the following fees and expenses in the normal course of operations in connection with companies owned by key management and directors. Expenses have been measured at the exchange amount which is determined based on actual cost. There is no other remuneration of directors or other members of key management personnel during the periods ended November 30, 2017 and 2016 are as follows:

	November 30, 2017	November 30, 2016
Management fees	\$ 288,000	\$ 289,000
Salaries to key management personnel, included in operating costs and expenses	173,592	354,700
Directors' fees	122,200	35,000
Advisory board fees	45,000	75,000
Total	\$ 628,792	\$ 753,700

### 18. MANAGEMENT OF CAPITAL

The Company manages its common shares, stock options and share purchase warrants as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its assets and to maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk. The Company is not subject to any externally imposed capital requirements.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt or acquire or dispose of assets.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

In order to maximize ongoing efforts, the Company does not pay out dividends. The Company's investment policy is to keep its cash treasury invested in demand certificates of deposit with major financial institutions.

There have been no changes to the Company's approach to capital management during the period ended November 30, 2017.

## **CERTIVE SOLUTIONS INC.**

Notes to condensed consolidated interim financial statements

For the period ended November 30, 2017

(Expressed in U.S. Dollars)

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### **19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

#### *Financial risk management*

The board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's financial instruments consist of receivables, due from related parties, accounts payable and accrued liabilities, convertible debt, due to related parties and short-term loan.

The fair value of cash is measured on the statement of financial position using level 1 of the fair value hierarchy. The fair value of convertible debt is measured on the statement of financial position using level 3 of the fair value hierarchy.

The fair values of receivables, due from related parties, accounts payable and accrued liabilities, due to related parties, subscriptions payable and short-term loan approximate their book values because of the short-term nature of these instruments.

#### *Financial instrument risk exposure*

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes.

#### *Credit risk*

Credit risk is the risk of financial loss to the Company if counterparty to a financial instrument fails to meet its payment obligations. The Company has no material counterparties to its financial instruments with the exception of the financial institutions which hold its cash. The Company manages this credit risk by ensuring that these financial assets are placed with a major financial institution with strong investment grade ratings by a primary ratings agency. The Company's receivables consist primarily of harmonized sales tax due from the Canada Revenue Agency. The Company does not believe it has a material exposure to credit risk.

#### *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure as described in Note 4. There is a risk that the Company may not be able to meet its financial obligation when they are due. All of the Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms. As at November 30, 2017 the Company has no financial assets that are past due or impaired due to credit risk defaults.

#### *Foreign exchange risk*

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the foreign currency exchange rates. The Company's functional currency is the United States dollar as the Company's main center of operations is the United States. As at August 31, 2017, the Company has approximately CDN\$1,423,000 of financial liabilities denominated in Canadian dollars. A 10% change in exchange rate would result on a change to loss and comprehensive loss of approximately \$102,000.

## **CERTIVE SOLUTIONS INC.**

Notes to condensed consolidated interim financial statements

For the period ended November 30, 2017

*(Expressed in U.S. Dollars)*

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### **19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd...)**

#### *Transaction Costs*

Transaction costs attributable to the acquisition or issue of financial assets or financial liabilities, other than those classified as held-for-trading, are added to the initial fair value amount to match the costs with the related transactions. Purchases and sales of securities are accounted for on the settlement date basis.

### **20. CONTINGENT LIABILITY**

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 November 30, 2017 or May 31, 2017.