

**MANAGEMENT’S DISCUSSION AND ANALYSIS
OF THE COMPANY’S FINANCIAL CONDITION AND RESULTS OF OPERATIONS
AS AT AND FOR THE SIX MONTHS ENDED NOVEMBER 30, 2019**

FORM 51-102F1

DATE AND SUBJECT OF THIS REPORT

This 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 its subsidiaries (“Certive” or the “Company”) as at and for the six months ended November 30, 2019. The MD&A should be read in conjunction with the condensed consolidated interim financial statements of the Company as at and for the six months ended November 30, 2019 and the audited consolidated financial statements and related notes thereto of the Company as at and for the years ended May 31, 2019 and 2018. This MD&A has been prepared effective January 28, 2020.

The Company was incorporated on June 11, 2010, under the laws of the Province of British Columbia. The Company changed its name to Certive Solutions Inc. in October 2013 to pursue sales and marketing opportunities as a business process management solution focused on hospital revenue cycle management in the U.S. healthcare industry. The Company’s mailing office is located at 1185 West Georgia Street, Suite 1140, Vancouver, B.C., V6E 4E6. The Company’s operational headquarters is located at 7373 East Doubletree Ranch Road, Suite 210, Scottsdale, Arizona 85258. The Company reports its financial results in U.S. dollars and under International Financial Reporting Standards.

The Company is 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”. As of November 30, 2019, and as of the date of this MD&A, the Company has two wholly owned subsidiaries: Advantive Information Systems Inc. (which is dormant) and Certive Health Inc. (formerly “Certive Technologies Arizona, Inc.”) each operating as independent subsidiaries of the Company. Effective as of May 31, 2019, Certive Health Inc. (“CH”) sold its subsidiary Knowledge Capital Alliance Inc. (“KCA”) and has one remaining operational subsidiary Omega Technologies Solutions Inc. (“Omega”).

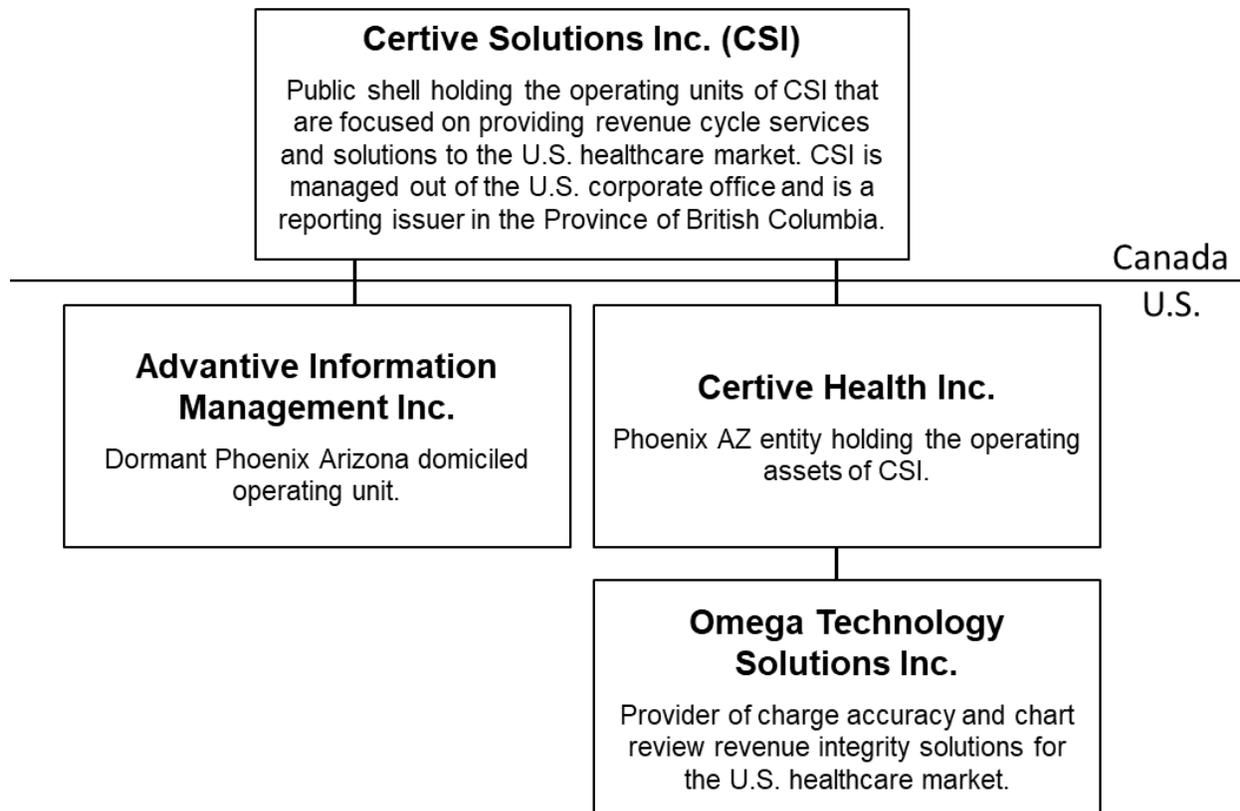
OVERALL PERFORMANCE

During the six months ended November 30, 2019 and the subsequent period up to and including the date of this MD&A, there were no significant or material events that occurred other than as reported herein. All amounts expressed herein are in U.S. dollars. As reported in this MD&A for the six months ended November 30, 2019, the Company, its primary operational subsidiary CH and its subsidiary Omega continue to operate below breakeven sales with negative cash flows; however, given the recent sales contracts and sales prospects that have been identified in the past several months, management believes that CH may reach breakeven sales volumes before the end of the fiscal year ending May 31, 2020. It is also projected that over the following three months after the date of this MD&A, the Company will require a minimum cash infusion of \$300,000 to cover operating costs and its short-term obligations. **Accordingly, readers should be aware of the auditors’ going concern qualification by referring to Note 1 of the Company’s audited financial statements as at and for the year ended May 31, 2019 and management’s continuing concern expressed in Note 1 of the Company’s condensed consolidated interim financial statements as at and for the six months ended November 30, 2019.**

ORGANIZATIONAL STRUCTURE – OPERATING DIVISIONS

As at November 30, 2019 and continuing to the date of this MD&A, the Company’s primary operations are provided by its subsidiary, CH, which includes its wholly owned subsidiary Omega. Effective as at May 31, 2019, CH sold its subsidiary KCA and discontinued KCA’s operations which are reflected as discontinued operations as at and for the years ended May 31, 2019 and 2018. As of May 31, 2017, 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. and discontinued Titan’s operations, which are reflected as discontinued operations as at and for the year ended May 31, 2017.

CH and its subsidiary Omega are well positioned in the hospital revenue cycle market providing charge accuracy and chart review revenue integrity solutions primarily for hospitals in the U.S. healthcare industry. Management’s strategic plan for growing Omega and the anticipated results of the strategic plan are discussed elsewhere in this MD&A. With the divestiture of the KCA and Titan divisions, all capital resources allocated by the Company to CH will be directed towards Omega’s sales growth and operational improvements.



Summary Results of Operations for the six months ended November 30, 2019 by Division

	<u>Omega</u>	<u>Certive</u>	<u>Total</u>
Revenues	\$664,222	\$0	\$664,222
Operating Costs	\$521,996	\$0	\$521,996
Gross Margin	\$142,226	\$0	\$142,226
Expenses - Other Interest	\$461,150	\$767,027	\$1,228,177
Net Loss	(\$318,924)	(\$1,157,633)	(\$1,476,557)

The Company has utilized the six months ended November 30, 2019 and up to the date of this MD&A to accomplish several milestones, which are not yet reflected in the financial performance of the Company at the date of this MD&A. These initiatives are associated with completing a market, product and operational analysis, completing a product plan and inbound market strategy, leveraging the Company's competitive advantages and strong market presence, enhancing its onboarding procedures for new business – all to drive sales growth. In addition, the Company implemented specific cost containment measures both at the operational and corporate level.

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. The amounts are being reported in U.S. dollars and did not change as a result of the adoption of new policies.

	May 31, 2019	Year ended: May 31, 2018	May 31, 2017
Revenue	\$1,109,687	\$1,144,725	\$1,716,666
Expenses	(\$2,175,435)	(\$6,308,653)	(\$5,457,781)
Net loss	(\$1,065,748)	(\$5,163,928)	(\$3,741,115)
Total assets	\$939,374	\$1,014,722	\$2,939,918
Current liabilities	(\$6,425,331)	(\$5,440,011)	(\$3,096,409)
Non-current liabilities	(\$590,259)	(\$739,170)	(\$268,707)
Shareholders' deficit	(\$6,076,216)	(\$5,164,459)	(\$425,198)
Net loss per common share (basic and diluted)	(\$0.01)	(\$0.07)	(\$0.05)

As noted elsewhere in this MD&A, the results of operations for the KCA Division and the Titan Division have been reported in the Statements of Comprehensive Loss in aggregate as Discontinued Operations. The impact on Titan Division revenue in the above schedule for the year ended May 31, 2017 is \$3,787,947, which has been reflected in Discontinued Operations. The impact on KCA Division revenue in the above schedule for the years ended May 31, 2018 and 2019 are \$291,511 and \$651,716, respectively.

SELECTED QUARTERLY INFORMATION

The following tables summarize the results of operations for the four-quarters ended November 30, 2019 and 2018:

	Three months ended:			
	Nov 30, 2019	Aug 31, 2019	May 31, 2019	Feb 28, 2019
Revenue	\$334,436	\$329,786	\$355,337	\$175,331
Total expenses	\$978,994	\$1,066,204	\$1,231,420	\$1,130,152
Loss from continuing operations	(644,558)	(\$736,418)	(\$876,083)	(\$954,821)
Non-recurring gain (loss)	(45,787)	(49,894)	\$1,519,351	\$236,000
Income from discontinued operations	-	-	\$47,028	\$13,785
Net income (loss)	<u>(690,345)</u>	<u>(786,312)</u>	<u>\$690,296</u>	<u>(\$705,036)</u>
Net income (loss) per common share (basic and diluted)	(\$0.01)	(\$0.01)	\$0.01	(\$0.01)

	Three months ended:			
	Nov 30, 2018	Aug 31, 2018	May 31, 2018	Feb 28, 2018
Revenue	\$382,403	\$196,616	\$195,868	\$256,386
Total expenses	\$882,387	\$809,130	\$1,270,204	\$852,084
Loss from continuing operations	(\$499,984)	(\$612,514)	(\$1,074,336)	(\$595,698)
Non-recurring gain (loss)	\$58,532	\$19,985	(\$1,614,014)	\$48,309
Income (loss) from discontinued operations	\$3,933	(\$20,960)	(\$124,602)	\$754
Net loss	<u>(\$437,519)</u>	<u>(\$613,489)</u>	<u>(\$2,812,952)</u>	<u>(\$546,635)</u>
Net loss per common share (basic and diluted)	(\$0.01)	(\$0.01)	(\$0.04)	(\$0.01)

IMPORTANT ACTIONS BY MANAGEMENT AND THE COMPANY'S BOARD

Material Events That Occurred During the Six Months Ended November 30, 2019

- The Company raised funds for working capital during the six months ended November 30, 2019 as follows:
 - The Company received \$600,000 from the issuance of 8% two-year convertible promissory notes, including \$180,000 from two advisory council members, \$120,000 in exchange for consulting services by an advisory council member and \$120,000 from an officer and director of the Company.
 - The Company received \$200,000 from two officers and directors of the Company and \$50,000 from an advisory council member in short-term demand loans bearing simple interest of 12% per annum.
 - The Company received \$51,000 from management personnel and \$50,000 from a lender in noninterest bearing advances.
 - On August 8, 2019, the Company received \$50,000 from an officer and director of the Company upon exercise of 1,000,000 warrants at \$0.05 per share.
 - On August 22, 2019, the Company received \$45,000 from two debt holders of the Company upon exercise of 750,000 warrants at \$0.06 per share.
 - On October 21, 2019, the Company received \$50,000 from a debt holder of the Company upon exercise of 1,000,000 warrants at \$0.05 per share.
- In June 2019, the Company made a \$50,000 payment to the former owner of Omega's assets pursuant to the restructured payment terms of the amended Asset Purchase Agreement (Note 7 of the financial statements).
- On August 14, 2019, the Company returned to treasury 900,000 shares of its common stock received from the sale of Knowledge Capital Alliance Inc. (Note 13 of the financial statements).
- On October 29, 2019, the Board approved the October 31, 2019 Offering Closing of the approximately \$2.4M raised through two-year 8% convertible promissory notes convertible at the greater of \$0.06 per share or a 15%-25% discount dependent on the share price on the day of conversion.
- On October 29, 2019, the Board approved a new Offering, which was subsequently amended to raise \$1,200,000 through four-year 12% convertible promissory notes convertible into 8.5M shares at \$0.14 per share. Repayment of such interest and principal is secured by a 1/3 interest in the payments received from a new 6-hospital system client in the Northeastern United States.

Material Events That Occurred Subsequent to November 30, 2019

- The Company raised funds to provide working capital subsequent to November 30, 2019:
 - The Company received \$14,000 from management personnel in a noninterest bearing advance.
 - The Company received \$30,000 from an officer and director of the Company in exchange for a demand note, which bears 12% interest.
 - The Company received an aggregate of \$300,000 from a lender, from an entity related to an officer and director, and from a member of the Company's Advisory Council in conjunction with three subscriptions to the Company's new Offering of 12% four-year convertible promissory notes, which the Board approved on October 29, 2019 (see details above). These promissory notes are convertible into shares of common stock of the Company at a price of \$0.14 per share
- The Company repaid management personnel \$65,000 and a lender \$50,000 of noninterest bearing advances as well as repaid an entity related to an officer and director \$20,000 of 12% demand notes.
- The Company made a \$100,000 payment in January 2020 to the former owner of Omega's assets pursuant to the restructured payment terms of the amended Asset Purchase Agreement (Note 7 of the financial statements).
- On December 18, 2019, the Company granted an aggregate of 400,000 stock options to primarily managers of its Omega Division. Such options are exercisable into 400,000 common shares of the Company at a price of CDN\$0.05 per share for a ten-year term. These stock options will vest only if the Company's share price sustains at or above \$0.30 for a 45-consecutive day period on a volume weighted basis prior to January 29, 2021.
- On December 18, 2019, the Company also granted an aggregate of 750,000 of retention stock options to the CEO and CFO of the Company exercisable into 750,000 shares of the Company at a price of CDN\$0.05 per share for a ten-year term. These stock options will vest in 36 months if the executive remains in the employment of the Company; however, if the CEO is replaced the CEO's stock options will vest on a pro-rated basis.
- On December 30, 2019, certain officers and directors, members of the Company's Advisory Council and other lenders elected to convert approximately \$1,100,000 of principal and accrued interest in the Company's two-year 8% convertible promissory notes into 18,309,549 common shares at a conversion price of \$0.06 per share.
- On January 16, 2020, an officer and director of the Company and other lenders elected to convert approximately \$255,000 of principal and accrued interest in the Company's convertible promissory notes into 4,616,005 common shares at conversion prices of \$0.05/share and \$0.06/share.

THE BUSINESS OF CERTIVE HEALTH INC.

Certive through CH 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.

CH is an integrated health care consulting and revenue cycle management company focused on providing revenue cycle management technologies and services to U.S. health care providers that minimize the financial risks associated with the delivery of health care all within a disruptive environment.

CH owns and operates a charge accuracy and chart review business located in Ft. Lauderdale, Florida, Omega. Utilizing proprietary analytics, workflow and combined with skilled nurse auditors, Omega retrospectively audits hospital bills that have been previously submitted to payers and identifies and validates charges that should have been on the original bill but were not. These charges are then resubmitted to the payers on behalf of the hospital, and when paid, Omega invoices the hospital a percentage of the total received by the hospital.

DISCUSSION OF THE OPERATIONS OF CERTIVE HEALTH INC.

Certive Health Inc. Corporate Management and Governance

The Company is in the process of implementing several plans that will align CH's operational direction to customer demand. Included in these plans are an investment of resources needed to increase sales enabling CH to support existing customers and to have the capacity to bring new customers onboard as contracts are obtained and to exceed customer expectations. When several anticipated new customers are secured and begin to generate sales, the burden of seeking outside capital to support operations will be reduced.

Factors impacting the growth of Certive Health Inc.

1. CH's near-term organic growth strategy is based upon its ability to aggressively expand its sales and marketing functions and deliver a simple compelling message to the key decision makers in revenue cycle functions at targeted hospitals. New client onboarding and volume throughput are scalable functions that Omega currently possesses. A significant investment in product marketing, inbound marketing, and selling is currently underway.
2. The identification of selected acquisition targets that complement the core business is a key factor that may impact growth. The Company and CH have identified targeted opportunities in the U.S. healthcare industry that complement current service offerings.
3. The identification of new lines of business within revenue cycle management for U.S. hospitals are unique and provide value-added benefits for hospital administrators.
4. The ability to cross-sell different services to CH's customers.
5. CH profitability and the Company's consolidated profitability as well.

6. Expectations regarding the ability to raise capital to fund increasing working capital requirements and achieve sustainable near and long-term growth. Acquisitions may lead to substantial dilution if the majority of the acquisitions are stock based.
7. CH must be mindful of a downward move by upper market tier participants who recognize the opportunities in the tier 3 highly fragmented market space.
8. CH 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.
9. CH must be mindful and reactive to disruption in the U.S. healthcare markets to achieve maximum rates of return.
10. As CH 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.
11. The Company will continue to direct and manage the affairs of CH and its Board if and until any divesture and transition is completed.

General History of the Certive Health Inc.

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:

1. 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 as denied claims for a variety of reasons.
2. On July 15, 2015, the Company's operating subsidiary, Omega Technology Solutions Inc., an Arizona corporation, ("Omega") was formed to acquire the assets of Omega Technology Solutions LLC, a Florida limited liability company. Based on a recent amendment to the original purchase agreement, in summary, Omega's assets were acquired for \$700,000 of which \$300,000 remains payable (as of the date of this MD&A) and for 12,633,334 shares of the Company's common stock after conversion of a note and achieving an agreed upon earn-out. With the acquisition of Omega's assets, the Company has a technology base and the ability to provide lost charge recovery services on a retrospective and prospective basis. There is 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 significant investments 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 recovery of unidentified charges not captured and billed 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 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.

Certive Health Inc.’s Advisory Council

The Company has assembled an outstanding Advisory Council consisting of 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 a valuable asset for Certive.



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 an overall near and long-term enterprise value. The Advisory Council was formed specifically to assist management and the Company’s Board of Directors in determining the best strategies to effect growth in an ever-changing U.S. healthcare market. Current members of the Advisory Council include:

1. 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.

2. Jack Chapman, a nationally recognized Revenue Cycle Management expert and consultant to the healthcare provider community.
3. Fred Hatfield, formerly CEO and COO of Aetna Medicaid and head of acquisition integration for Schaller Anderson.
4. 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 provide customers with meaningful information health data.
5. 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.
6. 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.
7. Michael Marshall, CEO of e5 Workflow Inc. provides to Certive, operational capabilities in revenue cycle management with hands on expertise in all aspects of this industry.
8. Bob Uxa is an accomplished professional with over 35 years of international experience 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.
9. William Dagher is a healthcare professional and revenue cycle expert having led the clearinghouse business for Per Se that was sold to McKesson for \$1.8B in 2006.
10. Joey Petelle is a Brand Strategy Consultant with InteliHealth, a healthcare industry consulting firm. With expertise across a wide spectrum of healthcare channels, InteliHealth provides future knowledge and insight, market intelligence and brand strategy to existing and emerging industry leaders. As an INC 500 alumnus and Senior Brand Strategy Advisor for Top Five and InteliHealth, Mr. Petelle establishes high profile companies nationally and globally to align them with their market, maximize profits, & future-proof their products & business.
11. Dr. Linder is a graduate of the Washington University School of Medicine in St. Louis, Missouri (1996). He completed his residency at Maricopa Medical Center, Phoenix, AZ (1996-2000) and is Board Certified in Emergency Medicine. Most recently, Dr. Linder is Chairman of Emergency Medicine at Chandler Regional Medical Center (2012-Present); Medical Staff President (2018-Present); and Past-Member Ethics Committee.

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.

OPERATIONS OF OMEGA

Description of Omega's Industry

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. The 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:

1. Scheduling and Eligibility
2. Pre-Registration and Financial Clearing
3. Admitting, Registration
4. Point of Service Charge Capture
5. Case Management
6. Coding
7. Pre-billing and Billing
8. Submission to Payers – Patient and Third-Party Payers
9. Payment Posting
10. Denial and Payment Analysis
11. Self-Pay and Collections

Description of Omega's Business

The U.S. healthcare market is a \$3.7T industry with over \$900B of that being waste and inefficiency and \$176B of that alone coming from the revenue cycle area. Using conservative metrics, the opportunity in the missing charge segment of healthcare is very large. Even though hospitals have benefitted from a cost focus over the past few years in terms of having healthy margins despite cuts to reimbursement, revenue cycle performance has lagged across key areas. Average hospital revenue cycles are losing roughly \$22 million to missed revenue capture. Four primary market forces are driving these trends:

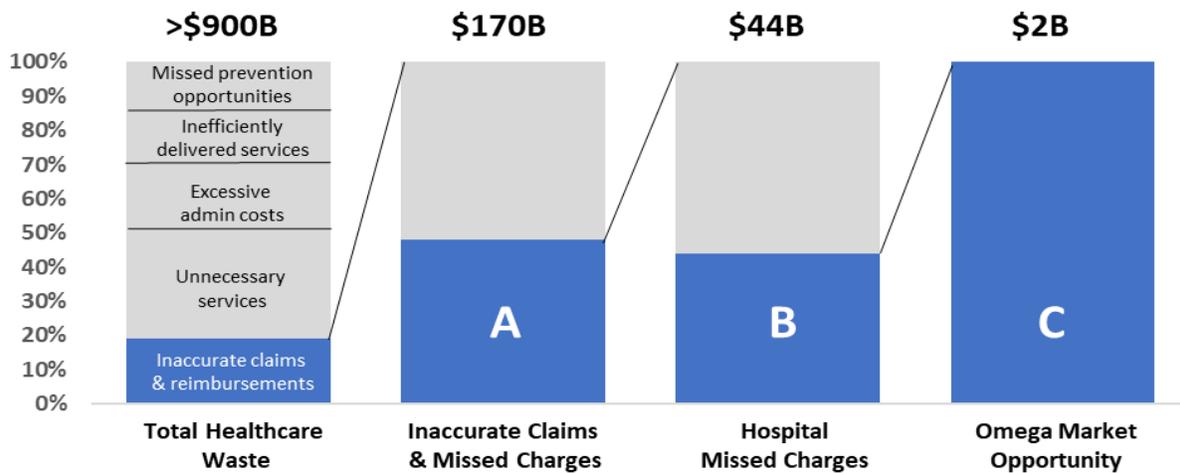
1. Many hospitals build centralized revenue cycle operations but don't make any improvements beyond that, focusing on their own internal “unit”. A strategy to integrate this would be to instead look at how to branch out into other focus areas within the hospital to help make improvements. This integration should include a value-added shared services organization that provides a common business intelligence platform across entities and service lines system-wide, the ability to generate a single patient bill for all physician and hospital services, and the use of integrated coders to drive further understanding and coding accuracy.

2. Increasing patient obligations are squashing coverage gains, because as coverage has increased, so too has bad debt.
3. Commercial payers' scrutiny of claims has significantly increased. Hospitals are losing an average of five percent of their margins to underpayments, denials, and contract negotiations. Payers often have the advantage in terms of data and insight in such negotiations.
4. While major surgeries and procedures are often charged automatically based upon time, less invasive surgeries are separately charged and certain procedures are often missed.

Examples of missed charges are the proper billing of pharmaceutical administration, drug waste, interventional cardiology coding errors and charges for implantable devices being omitted.

Under continuing healthcare reform, reimbursement models will continue to evolve from traditional fee-for-service (FFS) models to outcome-based models. FFS models have proven to be complex from a vendor point of view and the outcome based model is even more complex from a vendor technology point of view, which will all have a positive impact on those vendors who adopt their service offerings along with the changing market. Overall the Revenue Integrity Market Segment is forecasted to continue to grow. Separately, the healthcare analytics segment is ~\$40B doubling year over year with predicted continued strong growth as healthcare systems and payers begin to take advantage of the interoperability put in place after years of investing in health information management systems (HIMS).

Market Opportunity Missed Charges



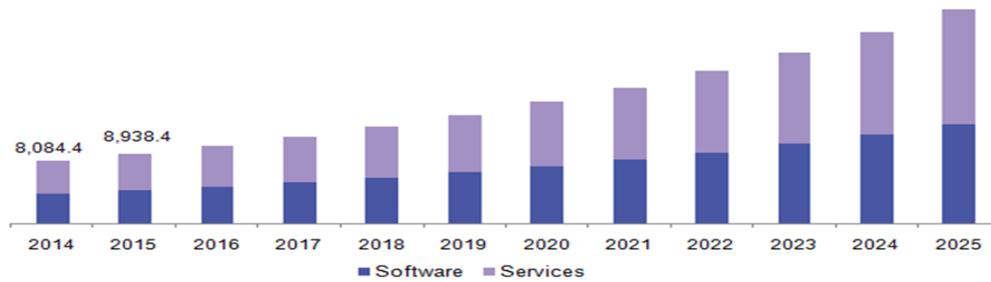
A - Total waste and inefficiencies in revenue cycle.

B - Avg 350 bed hospital misses \$22M in charges X 2K hospitals = \$44B market.

C - Omega serviceable market of 5% = \$2B market opportunity.

Source: U.S. National Academy of Sciences' Institute of Medicine and CMS, Healthcare Finance News

Overall Revenue Integrity Market Size



Significant investments are being made in healthcare driven by the Center for Medicare and Medicaid Services (CMMS) to reduce the cost of care, improve outcomes, and improve patient satisfaction. Revenue cycle improvements affect all three of these reform areas. Upgrading and making investments in HIM systems will have a major impact. Replacing old or implementing new electronic health record and patient accounting systems is a huge disruptive undertaking that when complete will have in place a new generation of systems that can communicate with each other opening true interoperability between providers, payers, ambulatory providers and acute providers. Most importantly vendors like Omega who through standard ambulatory payment classifications (APCs) can access data and deliver results back to the client in an efficient manner.

Regardless of the specific area of healthcare you focus on, technology in terms of automation, workflow, analytics, predictive analytics and artificial intelligence will be part of the future and ultimately that is where Omega will end up. For the present, we have a unique and highly competitive technology enabled analytical product and with proper marketing and sales can generate significant cash during the next few years which the resource will be to drive development in some of the other areas. Organic growth vs. acquisitive drives higher return on investments (ROIs), but we will likely use a combination to achieve the long-term objectives.

Competitive Landscape

There are three categories of competitors: a) In-sourcing by Omega's target hospital clientele; b) indirect competitors that offer technology solutions, and c) direct competitors that offer services. Continuous process improvement programs should also be considered a threat yet a large opportunity. The principles of the philosophies of continuous improvement are taking hold and the goal is to address the problem at the root cause which up until now has been just words. The majority of solutions, however, will be technology based (workflow, analytics, CDM through NLP and other processes that have long promised but not delivered).

1. 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.

2. Indirect Technology Vendors: 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. These solutions contribute to the problem by often reducing claim value allowing greater leakage to occur. Often, hospitals are frustrated with pure technology solutions and the absence of a strong service component, which fails to deliver on the promised value proposition. Several data analytics have aided healthcare solutions based on their platforms as well.

Large health information management system (HIMS) 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. Omega on the other hand, is a service company 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.

3. Direct Service Competitors:

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.

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.

Tier 3 players that are part of the fragmented nature of this tier have customer access, and good principals, but are cash limited and have no long-term vision for how they fit into the market. This makes them perfect acquisition targets for Certive where they could acquire attractive clients and/or service niches, layer 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.

Service Lines

OMEGA'S REVENUE INTEGRITY ANALYTICS PLATFORM

Revenue Integrity Analytics provides retrospective claim audit and missed charge services using a proprietary process that utilizes a unique combination of revenue integrity analytics and enabling workflow technology to ensure that every claim that has the potential to yield additional revenue is properly audited and that each claim is audited for accuracy and errors, thus yielding superior returns for our clients. Omega's unique Revenue Integrity Analytics platform captures more missed charges, underpayments and claim errors than any competitor on the market. This market is large and can drive significant revenue and margins for Omega.

Omega also offers OCExaminer™ missing charge capture software and claim scrubber on a SaaS basis as well its ChargeMASTER™ analysis tool. OCExaminer™ routinely finds 10-12% more claim errors than our competitors however the market for competing claims scrubbers is quite competitive with annual recurring licensing fees of \$20K and long 7-year contracts make it a difficult business to penetrate. Both service offerings will be looked at for future re-positioning in the market. One example of a possible repositioning of OCE is the ability to consistently find 10 - 12% more claims errors on Medicare and Medicaid outpatient claims than competing solutions. If we were to focus the sales efforts of this product on these government plans, it would be a reasonable assumption that the strong performance would telegraph through to engagements in the more lucrative commercial lost charge recovery business. In other words, it could be used as a selling tool – land and expand. Both these services are used internally as part of our Revenue Integrity Analytics service offering.

2019- 2020 OMEGA - STRATEGIC PLAN OVERVIEW

Focus

While Omega has a preponderance of new product, service, and technology capabilities with some that play into the future model of healthcare, a strategic decision has been made to focus almost exclusively on growing the missed or “lost” charge and underpaid charge segments based on our Revenue Integrity Analytics platform. This strategic decision was based on the fact that Omega possesses unique capabilities and intellectual property that provides a relatively low time to market and competitive advantage for these services and therefore the opportunity for near term margins vs. other revenue cycle services. That, combined with a ripe market situation as a result of many factors, leads management to believe that we have an opportunity for significant revenue growth in a scalable business model that will yield strong margins and cash generation for the Company.

For the planning period we will focus exclusively on the following services:

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 usually based on a percent of the lost charges that are recovered.

Claim Audit and Recovery

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.

Product Marketing and Service Line Enhancements

Using contemporary product marketing concepts CH will evaluate, plan, and implement client desired features to our Revenue Integrity Analytics platform making it easier to use, integrate with their current process, and deliver BI dashboards basis in a “light” user interface model.

Marketing

Omega will market lines of services through multiple channels to create awareness and brand identity with supporting data and documentation for every channel pursued. Our major marketing tools will be our digital platform along with more traditional marketing through speaking engagements at conferences and reference articles and referrals, etc. This digital marketing presence targets not only potential clients but investors and potential collaborators as well.

1. Search engine optimization (SEO)
2. Search engine marketing (SEM)
3. Content marketing
4. Social Media Marketing (SMM)
5. Pay-per-click advertising (PPC)
6. Affiliate marketing
7. Email marketing

Sales

Selling – establishing a relationship with the decision makers at hospitals is the first and most challenging obstacle in selling into healthcare. The sales model follows professional services.

1. Establish sales leadership within Omega, such as through a Director of Business Development with an internal team of client service representatives to improve the sales process and ongoing client retention efforts.
2. Omega has a total of 12 Business Development Advisors. These advisors come from a varied background, but all share the ability to penetrate the target client and engage Omega in discussions. Some advisors are former politicians, some are former executives from within the industry, but all have demonstrated the ability to connect with the client.
3. Know the technical details of what we can do, know the competitors, know the client from executives to financial statistics and payor mix, and position and enable Certive to differentiate and win on a client by client basis.

4. Use innovation discussions regarding future client needs and new product/services offerings with clients as market research and a reason to call. We acknowledge that we do not represent that we have them until we have made the decision to invest and are able to engage.
5. CH leadership, Certive Advisory Council members and the Business Development Advisors all have C-Level contacts in hospitals and systems.
6. Channel partners (consultancies, conversion consultants). Channel partners know the clients and their problems.
7. White label for other rev cycle providers, Experian, TransUnion, Change, Craneware, Conifer, SSI, Navicure, Ability, Parallon, etc. OR Tier 2 partnerships.

Operations

1. Integrate financial reporting to Scottsdale. Establish the standardized revenue forecasting process.
2. Institutionalize client onboarding by building upon existing processes technology to support sales and post sales and bring the Business Development Advisors closer to the Company. Expanded field presence utilizing technology tools to improve the client experience.
3. Evaluation of Omega's use of technology in workflow to produce efficiencies and position Omega to onboard more new clients without adding more staff.
4. Model capacity needs over and above headcount validating need for server capacity and decide upon the benefits of moving to the cloud vs. owning server capacity at Omega.
5. Standardize employment contracts and compensation, confidentially agreements with employees.
6. Right size office capacity based on forecast. Establish and roll-out stock option plan.

Investor Relations

1. Establish CH as a thought leader in the markets we serve and build awareness as an emerging growth company in the investment community through delivery of a steady stream of content about our markets, company performance, and domain specific knowledge.
2. Employ contemporary digital tools and best practices in marketing automation and social media to deliver content and establish and nurture relationships with investors.
3. Present regularly at relevant microcap conferences.

Legal

The Company is reviewing actions of prior officers and directors related to the unauthorized settlement of loan obligations to the Company and to its subsidiary, CH. In addition, the Company is seeking restitution from a former officer related to unpaid payroll withholding taxes due to the IRS. Demands have been made to recover certain payments and reimbursements of funds paid by the Company. Please read footnote 19 of the consolidated interim consolidated financial statements.

FINANCIAL COMPARISON TO PRIOR PERIODS

Financial Position as at November 30, 2019 compared to May 31, 2019

The following discussion of the Company's financial position is based on the Company's consolidated statement of financial position as at November 30, 2019 and May 31, 2019.

Current Assets

As at November 30, 2019, the Company's current assets were as follows: cash balance of \$90,808 compared to \$64,150 at the prior year-end; marketable securities of \$10,399 compared to \$23,875 at the prior year-end; accounts receivable of \$678,495 compared to \$399,968 at the prior year-end; and prepayments of \$20,000 compared to \$43,873 at the prior year-end. As at November 30, 2019, the Company's total current assets of \$799,702 compared to \$531,866 at the prior year-end. The increase in total current assets of \$267,836 or 50% was primarily due to the increase in accounts receivable resulting from delays in the hospital client's processing of Omega's identified lost charges, causing an increase in the aging of the receivables. Estimated amounts are accrued as revenue for Omega's completed work, which is known as "work-in-progress." After the hospital processes Omega's identified lost charges and receives payment from the payer, an invoice is generated and sent to the hospital for the Company's contingency fee, which is generally collected approximately 90 days or longer after the work was initially completed by Omega. Such estimated monthly amounts accrued as revenue are subject to adjustment.

Non-current Assets

As at November 30, 2019, the Company's non-current assets were \$504,163 compared to \$407,508 at the prior year-end, an increase of \$96,655 or 24% from the prior year-end due primarily to the Company's adoption of IFRS 16 – Leases on June 1, 2019, which recognizes the right-of-use assets for the Company's offices leases.

Current Liabilities

As at November 30, 2019, the Company's current liabilities were \$8,225,553 compared to \$6,425,331 at the prior year-end. The increase of \$1,800,222 or 28% is due to several factors:

- As at November 30, 2019, the Company's accounts payable and accrued liabilities of \$2,243,765 compared to \$1,752,088 at prior year-end, an increase of \$491,677 or 28% due

primarily to accrued interest expense incurred during the period of approximately \$484,000 related to convertible promissory notes and 12% short-term demand notes.

- As of November 30, 2019, the current portion of the Company's convertible debt of \$4,845,788 compared to \$4,080,243 at the prior year-end, an increase of \$765,545 or 19% due primarily to the issuance of more convertible debt during the six months ended November 30, 2019 to cover working capital needs of the Company. The amount of convertible debt issued is adjusted for IFRS requirements to segregate the gross amount of the debt between equity and liabilities of the Company by first adjusting to reflect the present value of the debt and the difference between the present value of such debt and the face value of the debt becomes the segregated allocation to equity. Please see the table disclosure in Note 11 of the financial statements for further information.
- As at November 30, 2019, the Company's short-term loans payable of \$659,000 compared to \$393,000 at the prior year-end, an increase of \$266,000 or 68% due primarily to increasing 12% short-term demand notes.
- As at November 30, 2019, the Company's note payable – current portion of \$400,000 compared to \$200,000 at the prior year-end. This is due to two changes since prior year end as follows: (i) the Company made a \$50,000 payment to the former owner of Omega's assets pursuant to the revised Asset Purchase Agreement; and (ii) the other \$250,000 of the note payable, due in full by August 31, 2020, was previously classified as a non-current liability at the prior year end, but was reclassified as a current liability because the due date falls within 12-months of November 30, 2019.
- As at November 30, 2019, the Company's lease liability – current portion of \$77,000 compared to \$Nil at the prior year-end due to the June 1, 2019 implementation of IFRS 16 – Leases for the Company's office leases.

Non-current Liabilities

As at November 30, 2019, the Company's derivative liability of \$423,076 compared to \$340,259 at prior year-end, an increase of \$82,820 or 24% due primarily to a change in the foreign exchange rate which differs from the functional currency of the Company – that being U.S. Dollars. The Company's derivative liability consists of the fair value of these warrants and convertible notes valued using the Black Scholes option pricing model with a weighted average expected volatility of 251%, discount rate of 1.50%, expected life of .25 years, and a dividend rate of 0%.

As at November 30, 2019, the Company's note payable – long term portion is \$Nil compared to prior year-end of \$250,000 due to the \$250,000 becoming due within the next 12 months (more fully described above).

As at November 30, 2019, the Company's lease liability – current portion of \$69,782 compared to \$Nil at the prior-year end due to the June 1, 2019 implementation of IFRS 16 – Leases for the Company's office leases.

Shareholders' Deficit

As at November 30, 2019, the Company's shareholders' deficit of (\$7,414,546) compared to (\$6,076,216) at prior year-end, an increase of \$1,338,330 or 22% due primarily to the Company's loss and comprehensive loss for the six months ended November 30, 2019.

Working Capital Deficiency

As at November 30, 2019, the Company's working capital deficiency of \$7,425,851 (which is the amount the Company's current liabilities of \$8,225,553 exceeds the Company's current assets of \$799,702) compared to a working capital deficiency of \$5,893,465 at prior year-end, an increase of \$1,532,465 or 26% resulting from ongoing operating losses of Omega and corporate overhead being funded by increasing current liabilities such as: increasing accounts payable and accrued liabilities primarily due current executives of the Company, professional service providers (i.e. consultants, auditors, outside legal council, etc.) and increasing convertible promissory notes and short-term demand notes. However, the Company's management believes that much of the recently issued convertible debt will be converted to common stock due to the relatively low conversion price per share (see adjusted working capital schedule).

Financial Results for the six months ended November 30, 2019 and 2018:

The following discussion of the Company's results of operations is based on the Company's consolidated financial statements for the six months ended November 30, 2019 and November 30, 2018, which are reported on a comparative basis in all material respects.

Revenue

For the six months ended November 30, 2019, the Company's revenues of \$664,222 as compared to \$579,019 for the prior period, an increase of \$85,203 or 15% primarily due to services provided by the Omega Division onboarding new clients.

Operating Costs

For the six months ended November 30, 2019, the Company's total operating costs of \$521,996 (representing 79% of the Company's total revenues) compared to \$638,040 in the prior period (representing 110% of the Company's total revenues in the prior period). The increase in operating costs of \$116,044 is due primarily to the following:

Contractor and consultant fees: For the six months ended November 30, 2019, the Company's contractors and consulting fees of \$87,678 compared to \$67,832 in the prior period, an increase of \$19,846 or 29% due primarily to an increase in contractor and consulting fees related to Omega's use of independent contractors.

Direct Payroll Costs: For the six months ended November 30, 2019, the Company's direct payroll costs of \$433,287 compared to \$568,881 in the prior period, a decrease of \$135,594 or 24% due primarily to properly allocating direct payroll cost to general overhead salaries and wages unlike in the prior period (see below).

Expenses (General Overhead)

For the six months ended November 30, 2019, the Company's total general overhead expenses of \$1,523,202 compared to \$1,053,450 for the prior period, an increase of \$469,752 or 45% due primarily to the following:

Amortization and Depreciation: For the six months ended November 30, 2019, the Company's amortization and depreciation is \$147,602 compared to \$39,139 for the prior period due to implementation of IFRS 16 – leases on June 1, 2019.

Interest and Bank Charges: For the six months ended November 30, 2019, the Company's interest and bank charges of \$484,393 compared to \$312,852 for the prior period, an increase of \$171,541 or 55% due primarily to interest expense related to increasing amounts of debt issuances for working capital.

General and Administrative Costs: For the six months ended November 30, 2019, the Company's general administrative expenses of \$119,213 compared to \$74,595 for the prior period, an increase of \$44,618 or 60% due primarily to costs associated with the Company's increased regulatory filing fees, audit and insurance expense and telecommunication costs.

Salaries and Wages: For the six months ended November 30, 2019, the Company's salaries and wages of \$415,943 compared to \$205,803 for the prior period, an increase of \$210,140 or 102% due primarily to increase support staff in the Omega division as well as the proper allocation of such expenses with direct payroll costs unlike in prior period (see above).

Loss from Operations

During the six months ended November 30, 2019, the Company reported a loss from operations of (\$1,476,557) compared to a loss of (\$1,033,981) for the prior period, an increased loss of \$442,576 or 43% was due primarily to increased interest expense related to increasing amounts of debt issuances for working capital and increasing staff to maintain production.

Loss and comprehensive loss

During the six months ended November 30, 2019, the Company reported a net loss of (\$1,476,557) or (\$0.01) per basic and diluted income per share based on 101,689,647 weighted average number of common shares compared to a net loss of (\$1,051,008) or (\$0.01) per basic and diluted income per share based on 80,293,127 weighted average number of common shares for the prior period. The increased loss and comprehensive loss of \$425,549 or 40% over the prior period was due primarily to increased interest expense related to increasing debt issuances for working capital and increasing staff to maintain production.

ADJUSTED WORKING CAPITAL TABLE as of November 30, 2019

Certive Solutions, Inc
Adjusted Working Capital Calculation
November 30, 2019

Total Current Assets:							\$ 799,702
	Convertible Debt	Short Term Loans	Accounts Payable & Accrued Liabilities	Note Payable Current Portion	Deferred Gain	Total Adjusted Current Liabilities	
Current Liabilities:	4,845,788	659,000	2,243,765	400,000	-	8,148,553	
Amounts to be converted:						-	
Convertible Unsecured	(4,845,788)					(4,845,788)	
Amounts paid subsequent to year end						-	
Convertible amounts owing to Directors & Advisory Board Members			-			-	
Other Convertible Loans		-				-	
Total Adjusted Current Liabilities	-	659,000	2,243,765	400,000	-	3,302,765	
Net Working Capital							\$ (2,503,065)

As at November 30, 2019, the Company had a working capital deficiency of (\$7,425,851). However, there are certain current liabilities that may be converted to equity. Assuming conversion of convertible debt into common stock of the Company, the Company's adjusted working capital deficiency would improve to be a working capital deficiency of just (\$2,503,065) as follows:

LIQUIDITY

1. As at the date of this MD&A, the Company does not have sufficient working capital to cover its operating overhead either corporately or divisionally. Sources of capital are being identified to address working capital needs. Both equity and debt financings are being contemplated as potential sources of working capital. In order for Omega to fully support its operating costs, it must generate a minimum of \$250,000 per month in revenue. Presently, the Omega generates approximately \$125,000+ in monthly revenues. With many new revenue categories being identified by management, the near-term working capital problem are correctable. Fluctuations in liquidity will continue as long as Omega operates at a loss.
2. The Company has liquidity risk associated with past due and maturing financial instruments. As at November 30, 2019, the Company had a cash balance of \$90,808 and total current liabilities of \$8,225,553 of which \$4,845,788 may be settled for common stock as more fully described in the Adjusted Working Capital Table.
3. The Company's working capital deficiency will be substantially reduced all conversion options and convertible debt and warrants discussed in the MD&A are affected or exercised. The current working capital deficiency is (\$7,425,851) and as adjusted (\$2,503,065). The Company had to issue more debt to cover the losses that were incurred. 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 Company's audited annual financial statements for the year ended May 31, 2019 for additional information.

4. The working capital deficiency of (\$7,425,851) and adjusted working capital deficiency of (\$2,503,065) are both serious issues for the Company. 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.
5. 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 convertible notes in the aggregate amount of \$1,326,158 and certain accounts payable and accrued liabilities are in arrears of \$776,096.
6. The Company has accrued but not paid interest on all of its convertible debt. The terms of agreement with the company's note holders are that interest payments are convertible at the noteholders option into shares at defined prices at the term of the note. Depending on the stock price at the time, the Company anticipates that there may at times be demand for payment of principal and interest rather than opting for conversion to common stock.

CAPITAL RESOURCES

The Company has no planned capital expenditures at the date of this MD&A. 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.

OFF BALANCE SHEET ARRANGEMENTS

As at November 30, 2019 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 BETWEEN RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed. The Company's related parties consist of its Directors, Key Management Personnel ("KMPs"), Advisory Council members and companies owned in whole or in part by KMPs and their directors as follows:

Name	Position and nature of relationship
Bridge Business Development	Company controlled by former officer and director
InteliHealth	Company controlled by advisory council member
UTA Holdings, LLC	Company controlled by advisory council member
SMA Group, LLC	Company controlled by key management personnel
Miller and Associates Environmental Consultants Inc.	Company controlled by the corporate secretary
Hyland Property Management Services LLC	Company controlled by officer and director
Tim Hyland	Director, officer and former advisory council member
Tom Marreel	Director, officer and former advisory council member
Jeff Wareham	Director
Jack Saltich	Director
Scott Thomas	Director
Brian Cameron	Former officer and director
Mike Miller	Corporate secretary
Susan Miller	Spouse of the corporate secretary
Fredrick Erickson	Former key management personnel
Ann Fierro	Key management personnel
Van Potter	Former officer and director
Jeff Benton	Advisory council member
Arthur Pelberg, M.D.	Advisory council member
Bob Uxa	Advisory council member
Jack Chapman	Advisory council member
Steve Schramm	Advisory council member
Don Gilbert	Advisory council member
Joey Petelle	Advisory council member
J.J. Linder, M.D.	Advisory council member

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

	Nature of relationship	November 30, 2019	May 31, 2019
Account payable (Note 10)	Former directors, key management personnel	\$ 101,062	\$ 126,873
Accounts payable (Note 10)	Directors, key management personnel, and companies controlled by these parties,	\$ 85,900	\$ 45,900
Convertible loans – face value (Note 11)	Directors	\$ 754,766	\$ 606,372
Convertible loans – face value (Note 11)	Advisory board member	\$ 778,294	\$ 533,112
Convertible loans – face value (Note 11)	Former officer and director	\$ 55,000	\$ 55,000
Notes payable (Note 7)	Key management personnel	\$ 400,000	\$ 450,000
Short-term loans payable (Note 12)	Former officer and director	\$ 25,000	\$ 25,000
Short-term loans payable (Note 12)	Directors and key management	\$ 301,000	\$ 70,000

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 six months ended November 30, 2019 and 2018 are as follows:

	November 30, 2019	November 30, 2018
Management fees	\$ 36,000	\$ 54,000
Salaries to key management personnel, included in operating costs and expenses	74,223	107,552
Salaries to key management personnel, included in discontinued operations	-	76,270
Consulting fees	94,000	99,972
Director's fees	-	10,000
Professional fees	160,883	139,611
Corporate finance fee to an advisory board member, and directors	-	16,000
Total	\$ 365,106	\$ 503,505

LEASES

The Company has two lease agreements for its leased office premises. For Certive Solutions Inc., the lease agreement will expire on May 31, 2022. For Omega Technology Solutions Inc., the lease agreement will expire on March 31, 2020 and the Company plans to move to a new location after the expiry of the current lease term. Prior to June 1, 2019, leases of office premises were classified as operating leases. At June 1, 2019, the leases were recognized as a right-of-use asset and a corresponding liability was measured at the present value of the remaining lease payments using the Company's incremental borrowing rate of 15% and the lease terms of 3 years and 10 months respectively. The right-of-use asset is depreciated over the lease terms on a straight-line basis.

Right-of-use assets

	Certive Solutions Inc.	Omega Technology Solutions Inc.	Total
Cost			
Balance at June 1, 2019 and November 30, 2019	\$ 95,738	\$ 154,180	\$ 249,918
Accumulated depreciation			
Balance at June 1, 2019	\$ -	\$ -	\$ -
Depreciation	15,956	92,508	108,464
Balance at November 30, 2019	\$ 15,956	\$ 92,508	\$ 108,464
Net Book Value			
June 1, 2019	\$ 95,738	\$ 154,180	\$ 249,918
November 30, 2019	\$ 79,782	\$ 61,672	\$ 141,454

Lease Liability

	Certive Solutions Inc.	Omega Technology Solutions Inc.	Total
Balance at June 1, 2019	\$ 95,738	\$ 154,180	\$ 249,918
Interest	5,229	6,347	11,576
Payments	(17,280)	(97,432)	(114,712)
Balance at November 30, 2019	\$ 83,687	\$ 63,095	\$ 146,782

	November 30, 2019
Lease liability – current portion	\$ 77,000
Lease liability – non-current portion	69,782
Total	\$ 146,782

CONTROLS AND PROCEDURES

The Chief Financial Officer (“CFO”) 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 the date of this MD&A, 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 CFO 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 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 CFO 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 IFRS.

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 IFRS. 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.

Use of estimates and judgements

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 of the financial statements, 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:

1. 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.

2. 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.

3. 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.

4. 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.

5. Discount rates used in convertible debentures

The Company calculates the liability portion of convertible debentures by calculating the present value of the loan and related interest, using a discount rate equal to the market rate that would be given for similar debt, without a conversion feature. Management determines this rate by assessing what rate the Company could borrow funds at from an unrelated party.

6. 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*.

SUBSEQUENT EVENTS

None other than those disclosed above in the section titled Material Events Subsequent to November 30, 2019.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

Financial assets and liabilities

All financial instruments are initially recognized at fair value on the statement of financial position. The Company has classified each financial instrument into one of the following categories: (1) financial assets or liabilities at fair value through profit or loss (“FVTPL”), (2) loans and receivables, (3) financial assets available-for-sale (“AFS”), (4) financial assets held-to maturity, and (5) other financial liabilities. Subsequent measurement of financial instruments is based on their classification.

Financial assets and liabilities at FVTPL are subsequently measured at fair value with changes in those fair values recognized in net earnings. Financial assets AFS are subsequently measured at fair value with changes in fair value recognized in other comprehensive income (loss), net of tax.

Financial assets “held-to-maturity”, “loans and receivables”, and “other financial liabilities” are subsequently measured at amortized cost using the effective interest method. The Company’s financial assets and liabilities are recorded and measured as follows:

<u>Asset or Liability</u>	<u>Category</u>	<u>Measurement</u>
Cash	FVTPL	Fair value
Marketable securities	AFS	Fair value
Receivables	Loans and receivables	Amortized cost
Accounts payable	Other liabilities	Held to maturity
Convertible debt	Other liabilities	Amortized cost
Short term loans	Other liabilities	Amortized cost
Note payable	Other liabilities	Amortized cost
Derivative liability	FVTPL	Fair value

The Company determines the fair value of financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

Cash and marketable securities are measured at fair value using Level 1 inputs. The derivative liability has been measured at fair value using level 3 inputs.

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.

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. Certain cash and convertible notes of the Company are denominated in Canadian currency and exposes the Company to certain currency risks.

Shares Authorized - Unlimited common shares without par value.

Issued and Outstanding

<u>Number Outstanding as at:</u>	<u>November 30, 2019</u>	<u>January 28, 2020</u>
Common shares	103,108,980	126,034,444
Stock options	9,108,708	10,258,708
Warrants	20,416,734	20,416,734

BASIS OF PRESENTATION

Please refer to Note 2 of the Company's condensed consolidated interim financial statements of the Company as at and for the six months ended November 30, 2019.

SIGNIFICANT ACCOUNTING POLICIES

Please refer to Note 3 of the Company's condensed consolidated interim financial statements of the Company as at and for the six months ended November 30, 2019.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

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 the new standards and is currently evaluating the impact, if any, that such standards might have on the Company's financial statements. Please refer to Note 3 of the Company's condensed interim consolidated financial statements as of and for the year ended November 30, 2019.

RISK FACTORS AND UNCERTAINTIES

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.

Other 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 August 31, 2020, (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 only source of 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 the current shareholders. Failure to obtain such additional financings could result in delay or indefinite postponement of the Company's strategic goals.

Competition

The Company's industries of focus are 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 directors and senior officers are directors or hold positions in other 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 Venture Issuer, 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 and occupancy costs, regulatory compliance and other professional fees. 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 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 such as occurred as at May 31, 2018.

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.

FORWARD LOOKING FINANCIAL 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 are related to its operating subsidiary CH. All of the disclosures in the balance of this MD&A relate to the historical business of the Company which may change if, as and when the Company completes a POA. At the date of this MD&A however these comments on forward looking matters are relevant and should be considered by readers.

CONTACT INFORMATION

Officers and Directors

Tom Marreel	Chairman of the Board and CEO
Tim Hyland	Director, CFO and Treasurer
Jeffrey Wareham	Director, Chair - Audit Committee
Scott Thomas	Director
Jack Saltich	Director, Chair - Governance, Compensation and Nomination Committee
Michael Miller	Corporate Secretary

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