

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
OF THE COMPANY'S FINANCIAL CONDITION AND RESULTS OF OPERATIONS  
FOR THE SIX MONTHS ENDED NOVEMBER 30, 2013**

**FORM 51-102F1**

**Date and Subject of Report**

The following Management's 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. (formerly VisualVault Corporation) (the "Company" or "Certive") for the quarter ended November 30, 2013. The MD&A should be read in conjunction with the unaudited interim financial statements as at November 30, 2013. The MD&A has been prepared effective January 29, 2014.

**SCOPE OF ANALYSIS**

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

**Overview**

During the quarter ended November 30, 2013, and the subsequent period up to and including the date of this MD&A, a number of significant and material events occurred which are summarized in this overview and discussed in more detail elsewhere in the MD&A.

1. On October 2, 2013 the Company announced its intention to complete the previously approved consolidation of capital and name change. Effective at the opening of trading on October 11, 2013 the Company commenced trading on a post-consolidated basis. Concurrently, the Company changed its name to Certive Solutions Inc.
2. On November 12, 2013 the Company announced the launch of its web site [www.certive.com](http://www.certive.com). The web site defines the Company's brand and direction within the revenue management lifecycle of the U.S. healthcare system. In particular it identifies many near term targeted opportunities in a subset vertical market known as denied claims management, a category which is more particularly described below.
3. For the three months ended November 30, 2013 the Company recorded its first revenue in the aggregate sum of \$20,000 from consulting services provided to a strategic partner engaged in complementary sub segments of revenue lifecycle management. The engagement will lead to a larger statement of work to design and develop an automated work flow solution for level of care billing by emergency departments in U.S. hospitals. Revenue is regularly lost by hospitals due to a reluctance to bill to the maximum level of care associated with the delivery of services based on lack or process in care documentation.

4. During the quarter ended November 30, 2013 the Company established strategic relationships with two Arizona-based companies that have both local connectivity and credentialed relationships with hospitals located in Arizona and other states. Through these associations the Company is securing the infrastructure to support and deliver its automated workflow solutions to a total of 20 hospitals currently being serviced by the two partners. Initially, the Company will be participating in revenue recovery from one such hospital, targeting one category of denied claims.
5. During the quarter the Company invested a total of \$175,000US into the design and development of its proprietary software-based technology solution for denied management claims. This expenditure represents the Company's focus and direction on developing solution based services supported by our technology. The Company's strategic technology partnership with AppCrest Inc. signifies our commitment to a suite of product solutions that specifically address the growing need for revenue collection efficiencies in the U.S. hospital market.
6. On December 16, 2013 the Company announced a private placement of common shares totaling \$2,100,000 by way of the sale of 21,000,000 Units at a price of \$0.10 per Unit. Each Unit is comprised of one share one half-share purchase warrant. Two half-share warrants entitle the purchaser to purchase one share at a price of \$0.15 per share. In addition, on December 16, 2013 the Company also announced a non-brokered private placement of convertible debentures. The total amount of the debenture is \$400,000 and is convertible into 2,666,666 common shares. Interest will be paid on the debenture at 5% per annum. The term of the debenture is 5 years. Both placements replace the previously announced \$9,600,000 private placement of common shares which has been terminated.

The net proceeds of the new private placements are being used to develop specific software solutions applicable to automating workflow in revenue lifecycle recovery, engaging in market development activities, engaging with strategic partnerships and for general working capital purposes.

#### 7. Business Development

During the quarter ended November 30, 2013, the Company initiated a two phase program to generate near term revenues from both revenue recovery in U.S. hospitals and specifically, Arizona based hospitals, and from consultative services offered in the development of specific use cases. Each phase of the plan has specific deliverables attached as follows;

##### Phase 1

- Identify two strategic associations with connectivity in selected hospitals in Arizona and leverage the connectivity to establish near term revenue opportunities. Two such relationships have been attained with the result that the Company will be participating in revenue generated from the recovery of denied claims in one hospital commencing in February 2014. The total number of hospitals represented by these strategic relationships total 20, five of which are located in Arizona. The revenue model will be a combination of revenue share and consulting services.

- Establish an advisory group with additional connectivity to hospitals and hospital systems outside of Arizona. The Company has established an advisory group consisting of three highly credentialed individuals who will make introductions to known decision makers in various hospitals located throughout the U.S. Initially, all revenue generation activity will be focused on denied claims recovery and the various subset categories.
- Commitment to develop technology solutions that will drive revenue recovery and foster strong and growing alliances with hospital decision makers. During the quarter, the Company spent \$175,000 as a first step to developing its unique solution set for its targeted markets. This expenditure provided invaluable support to our sales and marketing initiatives and forged strong ties to our technology partnerships. Management anticipates continuing developmental expenditures in the next quarter, on completion of the noted private placements.
- Initiate involvement in public health and safety markets with two highly credentialed partners in Arizona. The Company has established two relationships in the related field of public health and safety. These partnerships will work closely together with the Company to develop and facilitate a cohesive workflow solution enablement toolset for the management of public health and safety crisis, initially in Arizona and extending throughout the U.S. One of the partners will serve to market the solution to other counties in the U.S. The revenue model will be a combination of consulting services and cloud-based licensing fees.

#### Phase 2

- Expand the number of hospitals under contract in both Arizona and other states targeting denied claims using strategic partnerships.
- Identify acquisition targets, who are currently service providers in the Company's targeted segments of healthcare.
- Introduce the Certive SmartService™ Healthcare hub solution to targeted sectors in healthcare.

### **FORWARD LOOKING STATEMENTS**

The information set forth in this MD&A contains statements concerning future results, future performance, intentions, objectives, plans and expectations that are, or may be deemed to be, forward-looking statements. These statements concerning possible or assumed future results of operations of the Company are preceded by, followed by or include the words 'believes,' 'expects,' 'anticipates,' 'estimates,' 'intends,' 'plans,' 'forecasts,' or similar expressions. Forward-looking statements are not guarantees of future performance. These forward-looking statements are based on current expectations that involve numerous risks and uncertainties, including, but not limited to, those identified in the "Risk 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 any of which could prove inaccurate. These factors should be considered carefully, and readers should not place undue reliance on forward-looking statements. The Company has no intention and undertakes no obligation to update or revise any forward-looking statements, whether written or oral that may be made by or on the Company's behalf.

## General History

The Company was incorporated on June 11, 2010. The Company was a British Columbia company and a wholly owned subsidiary of Tulox Resources Inc. (now known as “Argentium Resources Inc.”), a reporting issuer listed for trading on the CNSX under the symbol “AOK”. The Company commenced commercial operations by acquiring a license from Advantive Information Management (“AIM”) to market and distribute AIM’s software and services in Canada. On May 5, 2011, the Company expanded its operations from that of a licensee of the AIM software to a partial owner of AIM and completed an acquisition of 10% of the issued and outstanding shares of AIM, for and in consideration of 8,958,000 common shares of the Company. The Company also raised a total of \$147,000 by way of the issuance of common shares at a price of \$0.05 per share, issuing a total of 1,940,000 common shares. In addition, the Company raised a further \$50,000 by way of the exercise of stock options by issuing a total of 1,000,000 common shares at a price of \$0.05 per share.

After listing on the CNSX, the Company consolidated its capital on a 7:1 basis subsequent to a shareholder meeting held on December 7, 2011. The Company issued 9,735,143 post-consolidated common shares to acquire the remaining 90% of AIM. The Company’s initial objective was to acquire undervalued IT service companies and to build an IT solutions and service company targeted at selected vertical markets. AIM was formed to make strategic acquisitions in the IT services market based upon the diminished valuation of companies in this sector that as a result of a recessionary economy were struggling financially, yet whose technologies, products or services represented exceptional opportunities when offered as an integral part of a “service wrap” offering. AIM’s flagship tool, R2 Software, was acquired from R2 Software A/S in 2010 and was built to provide the ability to continuously back up mission critical data across multiple legacy operating systems. The target market was manufacturing environments comprised of long-lived assets where legacy operating systems are commonly used and downtime is unacceptable.

Management has redirected its focus for the Company, to develop a technology enabled business process management software company targeting the revenue lifecycle recovery segment of the U.S. healthcare market.

In late 2011, the Company purchased 100% of the issued and outstanding shares of VisualVault Technologies Inc. (“VVT”) for 13,275,000 post-consolidated (7:1) common shares of the Company and the assumption of VVT’s obligations to purchase the assets of Auersoft LLC. The Company and VVT were obligated to pay a total of \$5,586,250 in cash and shares for the asset purchase and it was contemplated that the acquisition would close prior to December 31, 2012. The purchase did not close by that date, and, to address the negative tax consequences to Auersoft LLC as a direct result of amendments to the capital gains and other taxation policies in the United States that became effective January 1, 2013, the parties agreed to increase the purchase price by approximately \$1,000,000. Several closing extensions were negotiated between the Company, VVT, and Auersoft LLC, up to and including an extension negotiated effective May 31, 2013, extending the closing to July 2, 2013. The closing did not occur and the agreement to acquire the assets of Auersoft expired.

With the appointment of John Shackleton to the Board of Directors on April 17, 2013, management was tasked to assess the needs of a solutions-based enterprise focused on the U.S. healthcare

market and develop a product plan. This assessment included an understanding of the market's needs, and the strategic development of a differentiated product strategy that enabled Certive to create a sound revenue generation model. Concurrently, Certive assessed the relative capital investment required, and Certive's ability to finance them.

To this end, management and the Board of Directors worked diligently to expand the management team and draw upon the highly credentialed and well-known industry experts in business process management software and healthcare domains. The Company's Chairman, Mr. Shackleton, has been instrumental in bringing mission-critical expertise to the Company, including Kamran Kheirloom founder of AppCrest Inc. as well as the AppCrest development team.

AppCrest has been engaged to develop both the product plan for the Company and to bring to market a new platform solution to merge and manage disparate apps in information rich environments within the healthcare market. This platform will become a key differentiator for the Company as it seeks long-term mutually beneficial relationships with U.S. hospital systems. Mr. Kheirloom previously led the business process management division of OpenText and is a longtime associate of the Company's Executive Chairman, John Shackleton, former CEO of OpenText.

Key results emerging from the Company's associations during the quarter ended November 30, 2013:

- The Company has embarked upon a technology development process, in direct association with AppCrest Inc. that will cause the Company to own intellectual property associated with "SmartService" applications of the AppCrest platform in healthcare. This will be a key differentiator in all of the Company's "go to market" strategies (see below).
- The Company has identified additional key "C" level management team members, including both a highly credentialed CTO and Product Manager.
- The Company has engaged with two strategic associations connected with Arizona hospitals and will leverage these associations to accelerate revenue generation.

## **Share Consolidation and Name Change**

### ***Background***

Shareholders approved a special resolution to consolidate the Company's capital on the basis of one new share for every two shares held. The resolution was approved at a shareholders meeting held on December 7, 2012. The consolidation was completed on October 7, 2013

Concurrently and expressly due to the broadened scope of the business plan, management also concluded that the Company should change its name, for the purpose of re-branding and signifying the Company's new focus on the U.S. healthcare market. The Company, pursuant to its articles

of incorporation, obtained directors approval to change its name, and accordingly the name change became effective on October 7, 2013

Accordingly both the name change and the previously approved consolidation were effected on October 7, 2013.

### ***Principal Effects of the Consolidation***

As of May 31, 2013, there were 28,317,354 shares issued and outstanding. The Company issued a further 2,666,667 shares in respect of a first closing of its private placement announced in June 2013. Subsequent to the consolidation of capital effected on October 7, 2013 the total issued and outstanding capital is 15,492,011 as at November 30, 2013.

As the Company currently has an unlimited number of common shares authorized for issuance the consolidation will not have any effect on the number of common shares that remain available for future issuances.

### **Financing**

On December 12, 2013 the Company announced a non-brokered private placement of units (the "Units") at \$0.10 per Unit or 21,000,000 Units for gross proceeds totalling \$2,100,000. Each Unit consists of one common share and one half-share purchase warrant. Two half-share warrants entitle the purchaser to acquire one share at \$0.15 for a period of two years from the closing date.

The Company also announced a non-brokered private placement of \$400,000 in convertible debentures. The debenture will be convertible at the option of the holder into shares of the Company at a price of \$0.15 per share or 2,666,667 shares. The debenture will be for a term of 5 years and bear simple interest calculated and paid annually at a rate of 5% per annum, interest may be paid by the issue of shares at prevailing market rates. The debenture will be unsecured.

At the date of this MD&A, management anticipates closing of the private placements within two weeks of the date of this MD&A. This financing replaces a previously announced private placement of \$9,000,000. The Company announced a first closing of the original private placement on June 17, 2013. The first closing will be re-priced to reflect the current price of \$0.10 per Unit, as opposed to the previous pricing of \$0.30 per Unit on a pre-consolidated basis.

Accordingly the Company has represented to the initial first closing subscribers that their participation will be amended to reflect the final offering terms of the current private placement, subject to regulatory approval.

### **The Company's Business**

The Company is a Vancouver, British Columbia-based public company and its shares trade on the Canadian National Stock Exchange (CNSX: CBP). The Company has two wholly owned subsidiaries; Advantive Information Management and VisualVault Technologies, Inc. (name to be changed to Certive Technologies Inc.), each operating as independent subsidiaries.

The Company obtained approval at a shareholders meeting held on December 7, 2011 to change its name to VisualVault Corporation, consolidate its capital on a 7:1 basis, acquire VVT, and acquire the remaining 90% of AIM.

The Company completed a further consolidation of its capital on a 2:1 on October 11, 2013, concurrent with a change of name to Certive Solutions Inc. and the related re-branding associated with the name change.

## **Description of the Business**

The Company has changed its name to Certive Solutions Inc. to reflect an expanded business model supported by seasoned and internationally recognized leaders in business process management software space with targeted emphasis within the U.S. healthcare market. The Company has chosen to focus on several subset market opportunities within the U.S. healthcare market known as revenue lifecycle management. Included in this category are denied claims to hospitals and hospital systems, zero balance claims, and self-pay claim recovery.

Broadly stated, the Company is a provider of cloud-based, business process management software solutions to the U.S. healthcare market. The Company is headquartered in Scottsdale, Arizona, with registered and records offices in Vancouver, British Columbia.

The Company's strategy is to utilize its technology platforms, leveraging the cloud, to streamline healthcare service-based processes. In addition, the Company intends to deliver modern process-based "SmartService" hubs and apps to the healthcare marketplace, initially targeting the revenue lifecycle management market and delivering use case-based solutions to hospitals and hospital systems in the U.S.

The Company's greatest asset and strength is its expanded human capital.

**John Shackleton**, Executive Chairman of the Board, has been instrumental in shaping the Company's focus on one specific niche within the U.S. healthcare market and utilizing that foothold to expand both within healthcare and beyond, deploying strategies that include strategic partnerships and accretive acquisitions. Mr. Shackleton is the former CEO of OpenText and led that company from revenues of \$50mm to over \$1.3 billion prior to his retirement in December 2012.

**Kamran Kheiolomoom** is founder of the Company's strategic technology partner AppCrest Inc. Mr. Kheiolomoom will serve as a director of the Company upon closing of the second tranche of the Company's private placement referred to above. Mr. Kheiolomoom previously led the business process management division of OpenText and is a longtime associate of the Company's Executive Chairman, John Shackleton. AppCrest supports a vast global network of seasoned professionals in BPM, all of whom provide technology enablement support to the Company.

**Van Potter**, the Company's CEO is a co-founder and director of the Company and has over 30 years' experience as a tech executive, as former CEO of InPlay Technologies (NASDAQ: NPLA),

Vice President of Business Development Pixtronix; Vice President of Business Development of International DisplayWorks (NASDAQ), Three Five Systems Senior Vice President (NYSE).

**Brian Cameron**, the Company's CFO is also a co-founder and director of the Company with over 30 years' experience as CFO of companies engaged in manufacturing, product development, and technology commercialization. Mr. Cameron is a recognized leader in innovative trading platforms for early-stage companies.

## **Target Market and Differentiation**

Based upon the redirection of both human and financial resources, the Company has chosen the U.S. healthcare market as its initial target market and specifically, the revenue cycle management for hospitals segment, as the entrance point. Within this broad category are several subset opportunities, all with varying degrees of size. These categories include denial management, zero balance claims recovery, and self-pay claims recovery. Of this subset, the Company will initially focus on denied claims, which are more particularly defined as hospital claims made to insurance providers for patient services performed in the hospital, but for which some portion, or all, of the claim has otherwise been denied. There are multiple reasons for denial, and with the growing complications associated with changes in coding requirements, denied claims are expected to increase by over 400% in the coming years. Provisioning workflow solutions that improve the chances of recovery is therefore a target market of significant opportunity.

The Company has validated a revenue share model with hospitals that offers nominal up-front costs to deploy its workflow automation solutions. For hospitals and larger hospital systems, this represents incremental net operating income that would otherwise be written off.

In addition, the Company is developing its proprietary Certive "SmartService™" hubs that will enable the delivery of direct and syndicated "Smart Process Apps" to healthcare service providers and related value chain participants. Smart Process Apps will address the largest issue in U.S. healthcare today – bringing together the billing cycle process and the broader care delivery ecosystem. The product is being built on the next generation Appification Framework™ developed by AppCrest Inc., the Company's strategic technology partner.

## The U.S. Healthcare Market and Trends

Fundamental changes occurring within the U.S. healthcare market are causing a shift from a business-to-business model to much more of a business-to-consumer marketplace. With that there is widespread reform throughout the payer/provider ecosystem. This reform is affecting how hospitals and insurance companies interact on a daily basis. Furthermore, these massive shifts are affecting core processes that drive legacy patient care delivery systems. This trend is creating new opportunities to automate processes in key areas, including the management of insurance, eligibility verification, streamlined enrollment processes, and transfers to other healthcare plans. With the implementation of the *Affordable Care Act* (ACA), government involvement in the insurance and patient services components of the U.S. healthcare industry is steadily increasing. Consumers, thus patients, are being encouraged to be more responsible for their personal health and the care they receive. Increasing costs are mandating a more accountable environment for the



patient and the providers. The industry is poised to accept new and previously resisted technologies that will transform business models and service delivery methods. Consolidations of industry groups are also emerging as the industry attempts to contain costs in a highly unstable environment.

The following illustrates the value of business process management to the healthcare industry generally:

#### General Benefits

- Reduce administrative task burden to enable more focus on patient care
- Increases staff productivity by allowing them to focus on high value workload
- Improves organizational efficiency by identifying wasteful activities
- Increase accuracy by reducing the risk of human error
- Mitigate financial, operational and clinical risks
- Improve process visibility, control and optimization
- Improve response to business & regulatory change

#### Payer Benefits

- Increase market share
- Optimize the payment lifecycle
- Improve operational efficiency
- Ensure regulatory compliance
- Enable transition to coordinated care

#### Provider Benefits

- Improve patient outcomes
- Reduce the cost of care
- Eliminate waste
- Ensure regulatory compliance
- Enable patient-centered collaboration

Healthcare requires the full range of business process management capabilities as the following diagram illustrates:

#### Document Workflow

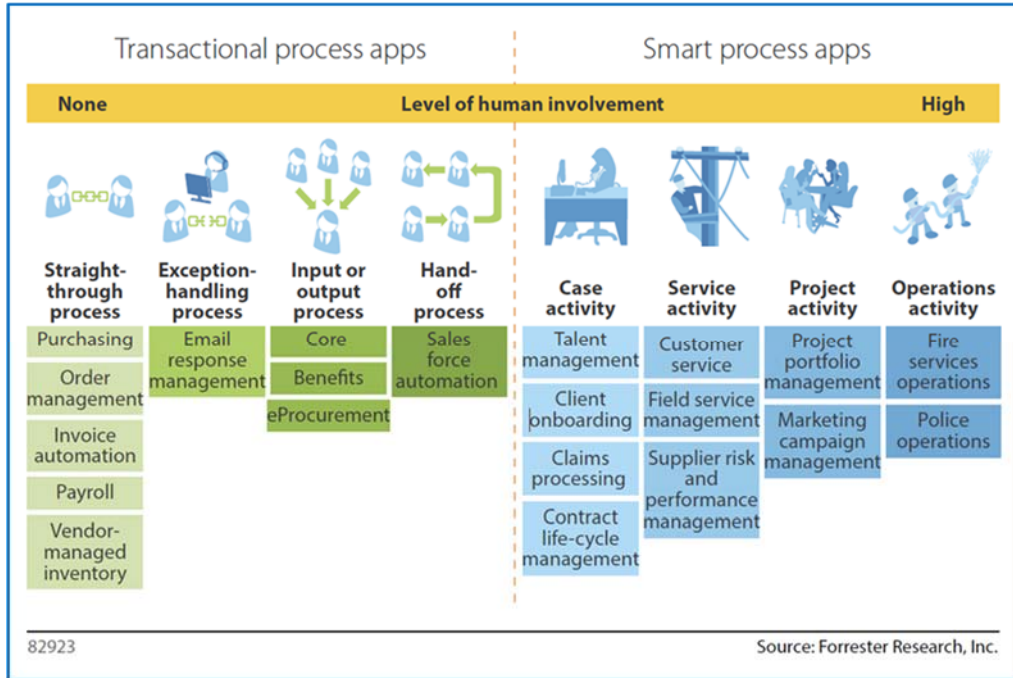
Automates the capture, conversion, indexing and routing of documents to transform paper-bound processes.

#### Process Management

Automates highly structured, predictable processes to optimize work handling, throughput and workforce utilization.

## Case Management

Automates collaborative, people-driven and information-intensive processes with variable handling requirements.



*Healthcare Smart Process Market Projections: “Healthcare has become a heightened regulatory environment which serve as a driver of demand information capture and smart process technologies.”*

	2010	2011	2012	2013(F)	2014(F)	2015(F)	CAGR
Industrial & Energy Products	\$ 709.47	\$ 843.79	\$ 1,004.12	\$ 1,200.32	\$ 1,418.87	\$ 1,649.75	18.39%
Transportation & Logistics	\$ 446.94	\$ 535.20	\$ 619.90	\$ 751.85	\$ 880.59	\$ 1,113.54	20.03%
Utilities	\$ 358.33	\$ 415.46	\$ 527.89	\$ 655.51	\$ 777.30	\$ 945.24	21.41%
Financial Services	\$ 1,368.89	\$ 1,553.71	\$ 1,899.15	\$ 2,399.67	\$ 2,872.44	\$ 3,257.30	18.93%
Insurance	\$ 651.78	\$ 723.77	\$ 833.13	\$ 1,050.88	\$ 1,291.56	\$ 1,531.18	18.63%
Healthcare	\$ 422.24	\$ 506.51	\$ 602.47	\$ 764.56	\$ 954.65	\$ 1,157.63	22.35%
Government	\$ 1,204.21	\$ 1,433.53	\$ 1,680.42	\$ 2,021.13	\$ 2,458.97	\$ 2,952.51	19.65%

Source: Forrester Consulting on behalf of Kofax, January 2013.

The Smart Process App market is over \$17B in size with the healthcare segment of that market growing to \$1B over the next several years.

Process Applications in Healthcare cover a broad range of participants including suppliers, payer regulators, providers, physicians, and patients, including:

#### Supplier

- Clinical Trial Team Collaboration
- Clinical Trial Operations
- Contracts Management
- Litigation Support
- Regulatory Compliance

#### Payer/Regulator

- Authorizations Management
- Charge Tracking
- Claims Auditing
- Claims Processing
- Eligibility Verification
- Payment Management
- Policy Enrollment & Management
- Provider Contracts Processing
- Records Update Processing
- Regulatory Compliance

#### Provider

- Administrative Approvals
- Clinical Care Management
- Contracts Management

- Denial Management (OUR FOCUS)
- Donor Registration
- Incident Reporting
- Invoice Processing
- Medicaid Case Management
- Medical Billing
- New Hire Onboarding
- Order Referral Management
- Patient Admissions & Discharge
- Payroll Processing
- Physician Surveys
- Revenue Cycle Management (OUR FOCUS)
- Service Delivery Tracking

### Physician

- Diagnostic Assistance
- Outpatient Order Submission
- Physician Services
- Patient Records Review

### Patient

- Patient Enrollments
- Complaints & Grievances
- Correspondence Management
- Patient Support (Portal)

### Targeted Use-Case Market Opportunities

The Company has targeted three principal market opportunities within the healthcare market.

Revenue Cycle Management: This category includes denied claims management, zero balance claims recovery, and self-pay claims recovery. Denied claims management is the primary target for the Company in the following two years of planning. U.S. hospitals write off between 3% and 17% of their annual revenues to denied claims due to coding errors, lack of pre-approvals, lapsed coverage, or wrong category allocation. More than 50% of these denied claims are simply written off by the hospital. The Company has validated its revenue share model in which it will share proportionately in recovered revenue resulting from denied claims. Deployment of the “Certive Solution” will serve to automate each hospital’s distinct processes and workflows, with a resulting efficient and effective recovery of previously denied claims

Emergency Response Compliance: This category addresses a unique niche opportunity to develop compliance protocols implemented with the Company’s workflow tools to address the need for executable action plans in the case of major emergencies or disasters.

Care Decision Making and Credentialing: This category addresses a multi-billion dollar market associated with ensuring that caregivers are appropriately and timely licensed to provide their services both as independent practitioners and as employees of large healthcare systems.

## Market Comparisons and Valuations

The Company recognizes that cloud-based software companies in large niche markets can command attractive valuation premiums. The key drivers in these valuations include growth forecasts, executive track records, and market definition and size, as well as public relations programs focused on messaging to the appropriate audience. Management has conducted an extensive comparative analysis of market valuations for companies operating as cloud enterprises in similar or complementary industries.

### Market Valuation Comparative Analysis

<i>As of October 28, 2013</i>			Value, \$M		Revenue, \$M					
Company	Ticker	Price	MKT	EV	TTM	YOY Growth	GM	EBITDA Margin	EV /Rev	EV /EBITDA
athenahealth	ATHN	139.00	5,170	5,410	494	41%	52%	9%	11.0	125.8
Bazaarvoice	BV	9.78	722	656	169	25%	62%	-27%	3.9	9.8
Concur Technologies	CNQR	108.90	6,090	5,830	507	23%	62%	9%	11.5	126.7
Constant Contact	CTCT	27.78	852	727	269	13%	67%	7%	2.7	37.1
Cornerstone OnDemand	CSOD	49.81	2,560	2,490	149	66%	56%	-19%	16.7	N/A
DealerTrack Holdings	TRAK	38.75	1,700	1,680	432	26%	39%	14%	3.9	27.5
Demandware	DWRE	50.22	1,540	1,460	89	26%	62%	-13%	16.4	N/A
Exact Target - acquired	ET	33.75	3,004		292		63%		10.3	
inContact	SAAS	7.93	433	388	121	19%	50%	1%	3.2	228.2
IntraLinks Holdings	IL	10.04	553	544	225	7%	68%	1%	2.4	200.0
LivePerson	LPSN	9.59	518	442	168	12%	73%	8%	2.6	34.0
LogMeIn	LOGM	32.83	796	603	151	20%	82%	3%	4.0	144.6
NetSuite	N	104.55	7,770	7,570	357	35%	60%	-8%	21.2	N/A
OpenTable	OPEN	72.40	1,660	1,530	174	15%	60%	31%	8.8	28.3
OpenText	OTEX	77.82	4,550	4,640	1360	14%	64%	30%	3.4	11.3
Pega Systems	PEGA	38.20	1,450	1,270	479	12%	63%	14%	2.7	18.9
RealPage	RP	23.38	1,800	1,770	352	20%	55%	15%	5.0	32.8
Salesforce.com	CRM	53.04	31,580	34,330	3,470	31%	68%	2%	9.9	474.0
SciQuest	SQI	22.93	523	469	79	40%	58%	2%	5.9	271.1
Splunk	SPLK	60.37	6,390	6,210	241	50%	73%	-15%	25.8	N/A
Ultimate Software Group	ULTI	152.62	4,250	4,170	370	23%	51%	14%	11.3	78.7
Veeva	VEEV	41.00	5,000	5,200	180	100%	56%	22%	28.9	131.3
Vocus	VOCS	8.95	180	147	185	7%	74%	0%	0.8	167.0
Workday	WDAY	76.62	13,340	13,060	353	72%	44%	-31%	37.0	N/A

## **RESULTS OF OPERATIONS – Six Months Ended November 30, 2013: Certive Solutions Inc. (formerly VisualVault Corporation)**

Results of operations are reported on a comparative basis with the quarter ended November 30, 2012.

The Company generated \$20,000US in gross income during the three months ended November 30, 2013.

For three months ended November 30, 2013, the Company recorded an operating loss of \$255,404 comprised of gross revenues of \$20,000 less consulting services of \$90,000, corporate finance costs of \$21,951, travel and promotion costs of \$17,421, investor relations costs of \$71,703, transfer agent fees of \$14,896, interest and bank charges of \$19,591, foreign exchange losses of \$15,207, occupancy costs of \$6,390 and other expenses totaling \$18,245. At its fiscal year end of May 31, 2013, the Company wrote down goodwill in the amount of \$9,368,440. The write down of goodwill resulted from the fact that the Company had not generated any revenue from the assets acquired in the preceding two fiscal periods. It is management's belief that the write down represents a highly conservative reflection of the prospect for generating revenues in subsequent reporting periods. In the event that the Company does in fact generate revenues in subsequent fiscal periods the assets written down will be revalued on the financial statements. Given the broader business plan set out above and the intention to grow aggressively through both organic and acquisitive activity, management is of the opinion that the asset value will be reflected more appropriately in subsequent periods.

The fully diluted loss per share outstanding as at November 30, 2013 was \$.02 per share, calculated on 15,492,011 consolidated weighted-average common shares outstanding.

## **FINANCIAL POSITION**

The financial position as at November 30, 2013 is reported on a comparative basis with the year ended May 31, 2012.

As at November 30, 2013, the Company had a working capital deficiency of \$1,277,115, represented by cash on hand of \$3,452, receivables of \$34,566 and amounts due from related parties totaling \$204,777 less accounts payable of \$277,323, convertible debt totaling \$311,671 and short-term loans totaling \$442,916 and amounts due to related parties totaling \$488,000, for a working capital deficiency of \$1,277,115. Certain amounts due to related parties and short term loans will be converted to common equity as part of the private placement referred to above thus reducing the total liabilities of the Company.

## **SELECTED ANNUAL INFORMATION**

The following financial data, which has been prepared in accordance with Canadian generally accepted accounting principles, is derived from the Company's financial statements. These sums

are being reported in Canadian dollars and did not change as a result of the adoption of policies concerning Financial Instruments.

	Year ended		
	May 31, 2013	May 31, 2012	May 31, 2011
Total Revenue	\$ --	\$ --	\$ --
Interest income	\$ --	\$ --	\$ --
Expenses	\$9,368,440	\$711,392	\$135,851
Net loss	(\$9,368,440)	(\$711,392)	(\$135,851)
Total assets	\$50,343	\$9,281,412	\$508,542
Total long-term liabilities	\$ --	--	\$ --
Net loss per share (basic and diluted)	(\$.37)	(\$.03)	(\$.01)

## SELECTED QUARTERLY INFORMATION

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

	Three months ended			
	November 30, 2013	August 31, 2013	May 31, 2013	February 29, 2013
Total Revenue	\$20,000	\$ --	\$ --	\$ --
Interest income	\$ --	\$ --	\$ --	\$ --
Expenses	\$275,404	538,782	\$8,447,844	\$222,013
Net loss	\$(255,404)	(\$538,782)	(\$8,447,844)	(\$222,013)
Net loss per share and diluted loss per share	(\$.02)	(\$.02)	(\$.02)	(\$.02)

## LIQUIDITY

- (a) The Company intends to complete a non-brokered private placement to accredited investors in order to provide for marketing costs, acquisition costs, and general operating working capital.
- (b) Other than as set forth herein, there are no expected fluctuations in the Company's liquidity, taking into account demands, commitments, events or uncertainties.

- (c) The funds received by the Company pursuant to the proposed private placement, should provide it with the capital necessary for general and administrative expenses and for working capital purposes. The Company anticipates that such funds will be sufficient for its working capital requirements for the forthcoming 12 months
- (d) The Company does not currently have any liquidity risks associated with financial instruments.
- (e) The Company does not currently expect to have a working capital deficiency after it has completed the planned private placement. However, if additional working capital is required in the future, the Company expects to meet such need through additional equity, or debt financing(s).
- (f) There are no balance sheet conditions or income or cash flow items that may affect the Company's liquidity.
- (g) The Company has two subsidiaries at the date of this MD&A; VisualVault Technologies Inc., a British Columbia corporation and Advantive Information Management.
- (h) There are currently no defaults or arrears by the Company on dividend payments, lease payments, interest or principal payment on debt, debt covenants, and redemption or retraction or sinking fund payments.

## **CAPITAL RESOURCES**

There are no known trends or expected fluctuations in the Company's capital resources, including expected changes in the mix and relative cost of such resources.

## **OFF BALANCE SHEET ARRANGEMENTS**

As at November 30, 2013, the Company had no off-balance sheet arrangements.

## **PROPOSED TRANSACTIONS**

Except for the change in business direction discussed above, the Company does not have any other proposed transactions to discuss at this time.

## **TRANSACTIONS WITH RELATED PARTIES**

- a) After the completion of the Plan of Arrangement Agreement, the Company paid and accrued consulting fees of \$15,000 plus taxes to Tulox for services provided in spinning off Tulox's interest in the Licensing Agreement to a separate entity. As of November 30, 2013, the Company still owed Tulox \$1,800 with respect to this service.
- b) During the quarter ended November 30, 2013 there was \$488,000 owing to two directors.



- c) During the quarter ended November 30, 2013, the Company paid management and consulting fees to its directors and officers totalling \$90,000.

## OUTSTANDING SHARE DATA

Authorized: unlimited common shares without par value  
unlimited preferred shares without par value

Issued and Outstanding:

	Number of Shares	Amount
Common share issued on incorporation	1	\$ 1
Cancellation of incorporator share	(1)	(1)
Issuance of shares in pursuant of Plan of Arrangement	6,038,667	15,000
Issued in respect of the acquisition of AIM	8,958,000	179,160
Issued for cash	1,940,000	97,000
Exercise of options	1,000,000	50,000
Balance as at February 28 2012	17,936,667	\$ 341,160
Consolidation 7:1 as at April 27, 2012	2,562,381	\$ 341,160
Issued in respect of AIM acquisition	9,735,143	\$ 3,407,300
Issued in respect of VVT acquisition	13,275,000	\$ 4,646,425
Issued in respect of private placement	2,550,830	\$ 1,075,396
Subscription Receivable		\$ (20,000)
Balance as at May 31, 2012	28,133,354	\$ 9,450,281
Issued as Bonus on Debentures	184,000	\$ 108,820
Balance as at May 31, 2013	28,317,354	\$ 9,559,101
Issued as part of private placement	2,666,667	\$ 800,000
Balance as at Nov 30, 2013	30,984,021	\$ 10,359,101
Subsequent Consolidation 2:1	15,492,011	

Stock Options:

No stock options were granted or exercised during the period.

Warrants:

As at November 30, 2013 there were 5,222,736 warrants outstanding, exercisable until March 24, 2014 at a price of \$2.00 per share.

## **CONTINGENCIES**

Except for the commitments mentioned in Liquidity subsection (b), there are no other contingencies outstanding as of date of this discussion.

## **SUBSEQUENT EVENTS**

There were no subsequent events subsequent to November 30, 2013, other than as previously disclosed in this MD&A.

## **CONTROLS AND PROCEDURES**

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

### **Disclosure Controls and Procedures**

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

### **Internal Control over Financial Reporting**

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

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

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

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

### **Segregation of Duties**

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

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

### **Complex and Non-Routine Transactions**

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

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

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

These consolidated financial statements were authorized by the audit committee and board of directors of the Company on January 29, 2014.

## **Comparative periods**

Prior period comparative figures have been amended to conform to the current period's presentation. The Company's investor relations expense and Corporate marketing finance costs were previously reported together as one line item and they are now reported separately on the Condensed Interim Statements of Comprehensive Loss/Income. The Company's due from and due to related parties were reported as a net figure under due from related party. They are now reported separately on the statement of financial position.

## **Use of estimates and judgments**

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

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

i) Depreciation

The Company's management exercises its judgment in estimating the useful lives of the depreciable assets. The estimated useful lives reflect the management's estimate of the periods the Company intends to derive future economic benefits from the use of these assets. The Company depreciates its license in accordance with the accounting policies stated in Note 3. The carrying amount of the license is disclosed in Note 7.

ii) Recovery of deferred tax assets

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

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

### iii) Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

### **Determination of functional currency**

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

## **SIGNIFICANT ACCOUNTING POLICIES**

### **BASIS OF PRESENTATION**

#### **Statement of compliance to international financial reporting standards**

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

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

#### **Use of estimates and judgments**

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

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

- i) 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 Group will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted.

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

ii) 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 Canadian dollar. The functional currency determination was conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

## **SIGNIFICANT ACCOUNTING POLICIES**

### **Foreign exchange**

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

### **Financial instruments**

#### Financial assets

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

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

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

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

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

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

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

The Company's receivables are classified as loans and receivables.

### Financial liabilities

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

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

recognized through profit or loss.

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

## **Impairment**

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

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

## **Loss per share**

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

## **Income taxes**

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

Deferred tax is recorded based on temporary differences between the carrying amounts of



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

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

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

### **Related party transactions**

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

### **Application of new and revised International Financial Reporting Standards**

Effective January 1, 2013, the Company adopted the new and revised IFRS 12 *Disclosure of Involvement with Other Entities*, which requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effect of those interests on its financial position, financial performance and cash flows.

### **Future accounting pronouncements**

A number of new standards, amendments to standards and interpretations are not yet effective as at November 30, 2013, 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 financial statements.

### **Financial Instruments: Presentation**

The amendments to IAS 32 pertained to the application guidance on the offsetting of financial assets and financial liabilities. These amendments are effective for years beginning

January 1, 2015.

### Financial instruments

IFRS 9 Financial Instruments was issued in November 2009 and covers the classification and measurement of financial assets as part of its project to replace IAS 39 Financial Instruments: Recognition and Measurement. In October 2010, the requirements for classifying and measuring financial liabilities were added to IFRS 9. Under this guidance, entities have the option to recognize financial liabilities at fair value through earnings. If this option is elected, entities would be required to reverse the portion of the fair value through earnings. If this option is elected, entities would be required to reverse the portion of the fair value due to own credit risk out of earnings and recognize the change in other comprehensive income. IFRS 9 is applicable for annual periods beginning on or after January 1, 2015.

### Financial Instruments: Disclosures

The amendments to IFRS 7 outline the disclosures required when initially applying IFRS 9 Financial Instruments. These amendments are effective for years beginning January 1, 2015.

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

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

### **Provisions**

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

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

### **Share capital**

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

of any tax effects.

### **Revenue recognition**

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

## **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 quarter ended November 30, 2013.

## **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, accounts payable and accrued liabilities and due to related parties.

The fair value of cash is measured on the statement of financial position using level 1 of the fair value hierarchy. The fair values of receivables, accounts payable and accrued liabilities and due to related parties 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 of November 30, 2013 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 Canadian dollar as the Company's head office and operations are in Canada. All of the Company's financial instruments are denominated in Canadian dollars. In management's opinion there is no significant foreign exchange risk to the Company.

#### *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.

### **Officers and Directors**

Van Potter	CEO & Director
Brian Cameron	CFO & Director
John Ragan	Director

Jack Saltich  
John Shackleton

Director  
Chairman of the Board and Director

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