**MANAGEMENT'S DISCUSSION AND ANALYSIS
OF THE COMPANY'S FINANCIAL CONDITION AND RESULTS OF OPERATIONS
FOR THE SIX MONTHS ENDED FEBRUARY 28, 2014**

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 February 28, 2014. The MD&A should be read in conjunction with the unaudited interim financial statements for the nine months ended February 28, 2014. The MD&A has been prepared effective April 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 February 28, 2014, 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.

A. On March 11, 2014, the Company announced a strategic relationship with Titan Health Care Management Solutions Inc. ("Titan") of Tucson, Arizona. The Company noted that the partnership is comprehensive in scope given Titan's deep domain experience and knowledge of the intricacies associated with revenue life cycle management in the U.S. hospital market. The combination of this expertise and connectivity combined with the Company's workflow software solutions specifically designed for hospital revenue recovery, will be a significant enabler to scaling new business opportunities identified by both partners. Titan specializes in partnering with hospitals to enhance their revenue cycle management success. Titan provides a wide range of services, including zero balance audit and recovery, denial management, early out / insurance A/R collections, third party liability collections, and billing and collection support services. Titan has developed expertise and unique processes that enhance revenue and assist hospital financial services staff, recovering over USD$10,000,000 annually for its hospital partners. Titan has established credibility as a valuable resource to hospitals and works diligently to identify and recover previously unidentified sources of revenue without impacting the hospital's already overburdened administrative staff. With over 40 employees engaged in the revenue cycle process at Titan's Arizona offices, and over 25 hospitals currently under contract, Titan is a valuable resource to its hospital partners.

B. On March 14, 2014, the Company announced that it entered into an investor relations contract with Thast Projects Inc. of Vancouver, British Columbia. The contract provides that the consultant will receive a fee of $10,000 per month for a term of six months commencing on February 1, 2014. The agreement can be extended on a month-to-month basis thereafter, with the provision that the Issuer must provide 30 days' written notice of its intention to terminate the agreement. The Company also has agreed to compensate Thast Projects Inc. as a finder in the event that Thast Projects Inc. identifies financing sources or other properties ultimately secured or acquired by the Company.

C. On March 20, 2014, the Company announced the launch of a claims recovery collaboration for a select group of medical practitioners based in Phoenix, Arizona. The project involves the collection of medical liability claims incurred by physician practice groups in the treatment of automobile accident victims. In association with its strategic partners, Titan Health Management Solutions Inc. and Liability Exchange, LLC ("LE"), the initial project's annualized work in progress under management from the first customer is estimated at US$2,000,000, which is anticipated to cycle on a six month basis. Third party liability is a growing market primarily due to the reduction in reimbursement from within the commercial healthcare insurance marketplace. Providers are now collecting claims outside of traditional sources to receive appropriate reimbursement for their services. Workflow management tools such as Liability Exchange will facilitate near term adjudication of claims resulting in more cash and fewer write-offs. The Company's partnership with Titan and LE, provides the necessary human and technology resources to maximize collections from third parties.

D. On March 31, 2014, the Company announced the signing of a letter of intent to acquire substantially all of the assets of Titan Health Management Solutions Inc. of Tucson, Arizona. The combination brings to the Company a legacy business with quantified revenue and customers, established credibility in the U.S. hospital revenue lifecycle recovery market, as well as deep connectivity with senior executives and decision makers presently employed by U.S. hospitals. Titan presently generates approximately USD$2,000,000 in gross revenues annually and is on track to achieve an annualized revenue run rate of approximately USD$6,000,000 by December 31, 2014.

   For Titan, the combination represents access to technologies that will provide immediate and long-term scale to its business and the capital necessary to effectively expand sales and marketing efforts that drive significant growth.

   The transaction is proposed on the following basis:

1) The agreed purchase price for 100% of the scheduled operating assets and intellectual properties of Titan shall be paid in cash, bonus shares, convertible notes and preferred shares secured by the acquired assets and evidenced by a security agreement and a UCC-1 filing. The purchase price shall be payable in cash in the amount of USD$237,000, a convertible note in the amount of USD$1,800,000, a 20% bonus of 1,000,000 common shares on closing, and 1,250,000 preferred shares which will be convertible into 1,250,000 common shares at a deemed price of $0.35 per share.

2) Prior to December 31, 2014 the note may be converted at Certive's discretion, as per the stated terms and conditions, into 2,250,000 common shares of the Company at a deemed conversion price of $0.80 per share, subject to the conversion condition noted below in this paragraph. The note may be converted on or after December 31, 2014 at Titan's discretion, however interest accruals will cease on that date. The note will bear interest at the rate of 5% per annum, which interest can be paid in cash or shares on a quarterly basis at Titan's sole option. If interest is paid in shares, the shares will be issued at prevailing market prices from time to time subject to regulatory approval. In the event that the market price for the Issuer's shares is less than CDN$0.80 on the date at which conversion is elected, the conversion price shall be that prevailing market price at the close of trading on the day immediately preceding notice of conversion or a minimum of CDN$.40 per share. In the event that the prevailing market price for the Company's shares in greater than the CDN$0.80 price then the conversion price shall be CDN$0.80 per share.

3) That part of the acquisition price to be paid by way of the bonus shares will be issued based upon a factor of 20% of the face value of the convertible note, converted to shares at a deemed price of $0.35 per share for rounded total of approximately 1,000,000 shares, subject to regulatory approval.

4) That part of the acquisition price to be paid in preferred shares, which are convertible into common shares, shall be convertible based upon the following:

    - Capital Cost Recovery is a specific service provided to the industry by Titan. For every USD$4.00 in cumulative Capital Cost Recovery revenue generated by Titan Assets, Titan will be entitled to convert 1 preferred share of the Company to 1 common share of the Issuer. Titan Assets shall have three years to achieve these milestone set out in this clause.

    - For incremental increases in monthly revenues exceeding a base monthly revenue of USD$160,000 (USD$2,000,000 annually) and totalling USD$125,000 per month incrementally for a period of three months or more, Titan shall be eligible to convert 625,000 preferred shares to 625,000 common shares of the Company. Titan shall have three years to achieve the milestone set out in this clause.

Concurrent with closing, Titan will be entitled to nominate one member to the Company's Board of Directors.

As a condition of the acquisition, employment agreements or consulting contracts will be negotiated on an acceptable basis to both parties.

The acquisition is conditional upon execution of a definitive acquisition agreement, form of convertible promissory note, issuance of common shares contemplated by the bonus, and approval of the issuance of all preferred shares subject to the terms outlined in the letter of intent.

E. On April 7, 2014, the Company announced a strategic relationship with e5 Workflow to develop unique workflow solutions for the Company. The Company's solutions will be based on e5 Workflow's proprietary LEAN thinking principles, delivered in a dashboard format incorporating intuitive mapping process software and will be targeted at the U.S. hospital market, specifically the Company's focus on revenue lifecycle and recovery of denied insurance claims. These workflow solutions will enable the Company to achieve significantly greater capture rates on denied claims for its customers and hence greater revenue share with hospitals. The collaboration will be an ongoing process of improving the use of this software technology in the provision of the Company's cloud solutions to its customers throughout the United States. e5's Adaptive Business Workflow is particularly applicable to medical claims processing and medical billing, where the people process requires constant monitoring and improvement. e5's platform is currently being used by 20 of the 25 healthcare payers in Australia and has significant credentialed depth in medical claims processing, medical billing, medical records and patient accounting and billing records, making the platform an ideal tool for the Company as new opportunities to improve financial performance become vital to hospital administration.

In the collaboration, e5 will develop workflow tools targeted at unique aspects of hospital revenue cycle management. The Issuer will own the rights to all solutions developed within the collaboration. The e5 platform will be the basis for all workflow tool development and accordingly, e5 will be compensated on commercial terms for the development work undertaken and periodic license payment as required to support the use of the platform within each workflow solution.

Business Development

- During the quarter ended February 28, 2014, the Company commenced execution of its business development initiatives as established and reported at the quarter ended November 30, 2013. Specifically, the Company has proceeded as follows during the current quarter; The Company received its first collection of recoverable claims in its relationship with Liability Exchange and Titan Health. Titan has commenced the recovery process at the date of this MD&A. The Company does not have sufficient operating history to report determine the outcome of this engagement at the date of this MD&A.

- The Company finalized its Letter of Intent to acquire the assets of Titan Health and is completing the due diligence necessary to finalize the purchase on or before June 30, 2014. During the quarter, the Company worked closely with Titan to assess the current revenue projections for 2014 and to quantify the expectations for the calendar year.

- The Company in association with Titan and several advisors, has reviewed and prioritized the various categories of claims audit and recovery services it provides and the market opportunities that exist and has put in place resources including business development, operational, and technology to serve these needs.
- With the establishment of its strategic relationship with e5 Workflow Solutions, the Company commenced the design and development of workflow solutions for the current core business activities represented by Titan.

- The Company engaged with additional strategic marketing and sales advisors who have significant experience in US healthcare and whose function will be to identify and systematically target unique and underserved financial opportunities within the Revenue Lifecycle market.

- The Company's business strategies were adopted by management and the Board with the goal of financing the Titan asset acquisition and proceeding aggressively to scale the current business, identify new opportunities with the revenue lifecycle market, provide both technology and capital to support growth and identify several potential additional acquisition targets before the calendar year end 2014.

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 business model. Concurrently, Certive assessed the relative capital investment required, and Certive’s ability to finance them.

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 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 was 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.

The above noted financings closed on March 10, 2014, with the issuance of 24,114,810 units consisting of 24,114,810 common shares at a price of $.10 per share and 12,057,405 warrants exercisable at a price of $.15 per share up to and including March 10, 2016. The Company is in the process of completing the documents related to the debenture although it closed on the dame date.

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 Certive Technologies Inc., each operating as independent subsidiaries.

Description of the Business

<u>Overview</u>

The Company is a cloud solutions provider in the revenue life cycle management segment of the U.S. healthcare market, with an emphasis on claims audit and recovery solutions. The Company's solutions combine deep domain expertise, industry connectivity and cloud technologies that drive efficiency, scalability and insight. The Company's current focus is on U.S. hospitals. Certive's technology solutions enable scaling of existing collection efforts, and faster, greater recoveries. Certive's solutions utilize workflow technologies and analytics that increase both the speed and amount of revenue recovery for hospitals.

Concurrent with the acquisition of Titan Health Solutions Management Inc. (Titan) the Company will have 50 employees managed by a strong technology and healthcare team of domain experts.

Critical Success Factors to the Company's Business

Domain Expertise:

With the acquisition of Titan Health Care Solutions Inc., Certive has over 50 years of combined U.S. healthcare expertise. Working on both the provider and payer sides of this industry and having the intricate knowledge necessary to navigate the technical and clinical landscapes of this industry are critical to success.

Connectivity:

It is virtually impossible to obtain sales traction in the U.S. healthcare market and specifically revenue cycle management for hospitals without prior connections that lead to business closure. Certive has access to over 25 hospitals and hospital systems that assure both short and long term connectivity and a support base for referral business.

Technology:

Scale is the key to growth in revenue life cycle management and specifically denied claims adjudication. Cloud software tools that provide workflow solutions are key enablers for growth. Certive has adaptable and compatible workflow tools to address the many business opportunities in revenue life cycle management.

The Company seeks out unique niche opportunities in revenue life cycle, specifically claim audit and recovery, for U.S. hospitals including denied claims management, capital cost recoveries and other market opportunities where the technology provides clear advantages to customers in terms of both time and value of recovered dollars but also where the Company is able to secure high margin business in sub-segments of the market where competitors are unable to provide a recovery advantage.

The Opportunity - Denied Claims

Government involvement in the health insurance market is creating additional complexity to an already highly encumbered health care system. Inefficiencies are prevalent in all aspects of health care delivery in the U.S. Rising costs place a question on the sustainability of the system while newly empowered consumers are driving patient centered approaches to health and wellness. As these dynamics unfold, new technologies are transforming historical business models and the result is vast consolidations and alliances that are being forged to create economies of operation.

U.S. hospitals write off between 3% and 17% of their annual revenues to denied claims arising from coding errors, lack of pre-approvals, lapsed coverage and timed out claims as well as incorrect category allocation. More than 50% of these claims are written off by hospitals without any intervention. Denied claims are forecast to grow by over 400% in the next four years driven by increasing complexities of payer reimbursement methodologies in both public and private insurance systems.

Hospitals are also under increasing financial pressure due to several factors including:

- Decreasing reimbursement rates from both government and commercial payers.
- An aging population that reduces their ability to shift costs between younger commercially insured patients and older government insured patients, and the impact from the Patient Protection and Affordable Care Act (PPACA / "Obamacare") that decreases Medicare Advantage, lowering the threshold for Medicaid eligibility and creating dual eligibility membership in Medicare and Medicaid.
- The complexities of reimbursement methodologies the shift from ICD-9 to ICD-10 disease classification which will increase the number of diagnosis codes by a factor of 6.
- Vast inefficiencies of the U.S. medical systems.

All of this will lead to increased uncertainty with respect to claims authenticity and therefore increase the number and size of denied claims and urgency of which hospitals must address the claim issue.

Certive Solutions Inc. leverages its technology with its domain expertise and industry connectivity automating claims audit management in a revenue sharing business model with the hospital.

Denied claims are generally categorized into defined sub- segments each of which has their own unique recovery opportunity. The following chart defines and characterizes typical denied claims categories and estimated recovery rates for each.

Typical Denied Claim Categories:

Category	Description	Estimate Recovery	# Transactions
No Authorization	The procedure was not authorized.	15%	Medium
Medical Necessity	Need for procedure being billed is being challenged.	40%	Low
AHCCCS Days	Claim exceeds state Medicaid maximum days allowed in hospital.	10%	High
Coding	ICD9 / ICD10 codes not correct for procedure.	3%	High
Timely Filing	The claim has gone past the payer contract terms – i.e. 180 or 360 days.	26%	High
Other		7%	High
Total		100%	

Gross charges denied by payers have grown to over 10% of the billing value of all claims submitted and the trend is upward in nature. Systems, information and recovery process integration is a key to maximizing the recovery of each type of denial. The marginal loss associated with denied claims, has a significant impact on net operating profit.

Market Size and Structure

U.S. hospitals bill over $1 trillion annually and if a 5% claims denial rate is assumed, this represents a total available market of $50 billion. As reported by domain experts, outsourcing of the claims audit and the recovery component of revenue cycle management to third parties is in its infancy in the healthcare market.

The claims audit and recovery segment of the industry has a typical structure of three tiers. The large multi-faceted players with big solutions, the mid-tier players that consist of mid-cap and private equity portfolio companies that are looking to the growing opportunity in the segment, and the smaller fragmented segment where a large opportunity for the Company exists. The smaller companies are comprised of good management teams with good customers but lack the resources to invest in technology and business development and thus are not capable of scaling growth. With resources and the ability of the Company to layer in its core technology into smaller enterprises, and aggregation of several of these players in this segment is a viable part of the Company's growth strategy.

Titan Health Management Solutions Inc. – Acquisition

As noted above, the Company intends to acquire the assets of Titan on or before June 30th 2014. Titan provides the Company with immediate connectivity to customers, connectivity with senior executives and decision makers within hospitals and hospital systems, and the domain expertise necessary to exploit these opportunities. Titan has an existing base of business, with quantified revenues for 2014 estimated at USD$6,000,000. With established credibility in the market, the Company is now well position to deploy its technology for efficiency and scalability and accelerated business development.

The acquisition of Titan also brings to Certive additional senior executive domain expertise:

Thomas J. Hoehner, CEO Titan Health - 18+ years of experience in healthcare. He led the turn-around in operations for Health Net of Arizona, significantly improving all customer service metrics and assisting with the financial turnaround of the plan. He also served at Aetna U.S. Healthcare, where he served as Chief of Staff for Aetna's Western Division. Prior to this position he served as a Director of Operations where he was responsible for 1,400 employees involving data entry, claims, billing and eligibility, customer service, finance, and internal consulting. Thomas has also served in financial positions at Prudential Healthcare, Daniel Freeman Medical Center, and Centinella Hospital Medical Center in the Los Angeles area. Thomas has a Juris Doctorate degree from the University of Florida College of Law, and has his MBA and Bachelor's degrees from Michigan State University. Thomas has 20 published articles in various medical journals, is a member of the International Law Society at the University of Florida, and holds membership in the California Bar, the American Bar Association, and the John Marshal Bar Association

Todd E. Hisey, MHA, Healthcare Operations Management - 15+ years of management experience in a diverse array of healthcare organizations including health plans, medical groups, and physician offices. Prior to founding Titan Health Management Solutions, Inc., he served as the Director of Operations Services for Health Net of Arizona, where he was responsible for Medical Claims Review, Claims Recovery, Audit/Quality, Operational Reporting, Policy and Development, Training, and Project Management. He has also held operational, strategic planning, and financial positions at Aetna US Healthcare, HealthCare Partners Medical Group, and PacifiCare Health Systems. A consistent focus throughout his career has been on controlling and managing health care costs, including critical review of Provider/Health Plan contract reimbursement language, and maximizing the nuances of claim coding standards to minimize medical expenditures. Todd holds a Masters in Health Administration from the University of Southern California and a Bachelors of Science degree from UCLA.

Executive Management Team

The Company's greatest asset and strength is its expanded human capital. The Company's management and Board have the expertise to strategically plan and execute on the business plan described in this MD&A.

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.

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.

Technology Opportunity in U.S. Healthcare

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:

Document Workflow
Automates the capture, conversion, indexing and routing of documents to transform paperbound 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.

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

As of February, 2014			Value, $M		Revenue, $M					
Company	Ticker	Price	MKT	EV	TTM	YOY Growth	GM	EBITDA Margin	EV /Rev	EV /EBITDA
Accretive	ACHI	8.50	826	724						
athenahealth	ATHN	127.81	4,790	5,500	632	30%	56%	7%	8.7	127.9
Bazaarvoice	BV	6,70	509	483	181	13%	58%	-16%	2.7	7.2
Concur Technologies	CNQR	85.87	4,860	5,070	586	33%	66%	6%	8.7	144.2
Constant Contact	CTCT	24.57	753	693	285	13%	71%	9%	2.4	27.0
Cornerstone OnDemar	CSOD	49.81	1,740	1,990	185	73%	71%	-16%	10.8	N/A
DealerTrack Holdings	TRAK	42.30	1,870	2,010	481	26%	42%	12%	4.2	34.8
Demandware	DWRE	46.08	1,630	1,660	103	35%	83%	-16%	16.1	N/A
Exact Target - acquired	ET	33.75	3,004		292		63%		10.3	
inContact	SAAS	7.92	439	464	130	14%	48%	-1%	3.6	-356.9
iHealth Technologies		N/A	1,000	1,000	250			40%	4.0	10.0
IntraLinks Holdings	IL	8.82	489	548	234	7%	72%	5%	2.3	46.8
LivePerson	LPSN	9.86	539	501	178	10%	75%	3%	2.8	93.8
LogMeIn	LOGM	37.81	915	807	166	22%	88%	9%	4.9	54.0
NetSuite	N	73.67	5,570	6,060	415	35%	67%	-9%	14.6	N/A
OpenTable	OPEN	63.09	1,480	1,590	190	22%	64%	31%	8.4	27.0
OpenText	OTEX	48.56	5,710	5,530	1370	3%	64%	30%	4.0	13.5
Pega Systems	PEGA	15.94	1,210	1,080	509	7%	69%	16%	2.1	16.1
RealPage	RP	17.41	1,360	1,380	377	11%	55%	15%	3.7	24.4
Salesforce.com	CRM	48.83	29,780	35,900	4,070	37%	76%	-1%	8.8	-882.1
SciQuest	SQI	23.07	549	586	90	31%	69%	1%	6.5	651.1
Splunk	SPLK	51.98	6,130	5,660	303	53%	88%	-23%	18.7	N/A
Ultimate Software Gro	ULTI	113.25	3,210	3,590	410	21%	59%	14%	8.8	62.5
Veeva	VEEV	18.23	2,280	2,530	210	57%	61%	20%	12.0	60.2
Vocus	VOCS	17.97	363	339	187	1%	79%	0%	1.8	385.2
Workday	WDAY	66.82	12,300	13,280	469	74%	33%	-24%	28.3	N/A
Benefitfocus	BNFT	29.90	$ 726	$ 723	$ 105	36%	40%	-22%	6.9	-31.3

RESULTS OF OPERATIONS – Nine Months Ended February 28, 2013: Certive Solutions Inc. (formerly VisualVault Corporation)

Results of operations are reported on a comparative basis with the quarter ended February 28, 2013.

The Company did not generate any gross income during the three months ended February 28, 2014.

For three months ended February 28, 2014, the Company recorded an operating loss of $452,165 comprised of consulting services of $130,000, corporate finance costs of $167,300, travel and promotion costs of $19,753, investor relations costs of $63,670, transfer agent fees of $3,201, interest and bank charges of $27,811, foreign exchange losses of $5,230, occupancy costs of $5,354 and other expenses totaling $29,846. At its fiscal year end of May 31, 2013, the Company wrote down goodwill and investment 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 February 28, 2014 was $.03 per share, calculated on 15,492,011 consolidated weighted-average common shares outstanding.

FINANCIAL POSITION

The financial position as at February 28, 2014 is reported on a comparative basis with the year ended May 31, 2013.

As at February 28, 2014, the Company had a working capital deficiency of $1,863,281, represented by cash on hand of $234,180, receivables of $31,172 and amounts due from related parties totaling $220,598 less accounts payable of $711,358, convertible debt totaling $320,607 and short-term loans totaling $872,000 and amounts due to related parties totaling $445,266, for a working capital deficiency of $1,863,281. 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 most eight recent quarters

	Three months ended			
	February 28, 2013	November 30, 2012	August 31, 2012	May 31, 2012
Total Revenue	$ --	$ --	$ --	$ --
Interest income	$ --	$ --	$ --	$ --
Expenses	$222,013	$295,638	449,903	$378,538
Net loss	$(222,013)	$(295,638)	($449,903)	($378,538)

Net loss per share and diluted loss per share	($.02)	($.02)	($.02)	($.02)

	Three months ended			
	February 28, 2014	November 30, 2013	August 31, 2013	May 31, 2013
Total Revenue	$	$ --	$ --	$ --
Interest income	$ --	$ --	$ --	$ --
Expenses	$452,165	$275,404	$538,782	$8,447,844
Net loss	$(452,165)	($275,404)	($538,782)	($8,447,844)
Net loss per share and diluted loss per share	($0.03)	($.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 February 28, 2014, 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 February 28, 2014, the Company still owed Tulox $1,800 with respect to this service.

b) During the quarter ended February 28, 2014 there was $445,266 (2013 - $111,466) owing to two directors.

c) During the quarter ended February 28, 2014, the Company paid management and consulting fees to its directors and officers totalling $390,800 (2013 - $200,918).

OUSTANDING 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	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	8,133,354	$	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 February 28, 2014 there were 2,556,069 warrants outstanding, exercisable until March 24, 2014 at a price of $2.00 per share and a further 2,666,667 warrants outstanding at $.35 per share exercisable until June 17, 2015

CONTINGENCIES

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

SUBSEQUENT EVENTS

Subsequent to February 28, 2014 the Company issued 24,114,810 units, consisting of 24,114,810 common shares and 12,057,405 warrants at $0.10 per unit for a total value of $2,411,481. The warrants expire on March 10, 2016 and have an exercise price of $0.15 per share.

In addition, subsequent to February 28, 2014, the Company converted $445,266 of related party debt to shares by way of the private placement referred to above. Also the Company converted short term loans totaling $872,000 into common shares pursuant to the same transaction.

There were no subsequent events subsequent to February 28, 2014, 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 April 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 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.

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.

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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

<u>Financial assets</u>

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 both 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 following new and revised IFRS.

Disclosure of Involvement with Other Entities

New IFRS 12 requires the disclosure of information that enables users of these condensed interim consolidated 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.

Consolidated financial statements

IFRS 10 *Consolidated Financial Statements* establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. This standard:

i) requires a parent entity (an entity that controls one or more other entities) to present consolidated financial statements.

ii) defines the principle of control, and establishes control as the basis for consolidation

iii) sets out how to apply the principle of control to identify whether an investor controls and investee and therefore must consolidate the investee

iv) sets out the accounting requirements for the preparation of consolidated financial statements. IFRS 10 supersedes IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation-Special Purpose Entities.

Joint ventures

IFRS 11 *Joint Arrangements* establishes the core principle that a party to a joint arrangement determines the type of joint arrangement in which it is involved by assessing its rights and obligations and accounts for those rights and obligations in accordance with that type of joint arrangement.

Disclosure of interest in other entities

IFRS 12 *Disclosure of Interests in Other Entities* 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.

Separate financial statements

IAS 27 *Separate Financial Statements* has the objective of setting standards to be applied in accounting for investments in subsidiaries, joint ventures, and associates when an entity elects, or is required by local regulations, to present separate (non-consolidated) financial statements.

Investment in associates and joint ventures

IAS 28 *Investments in Associates and Joint Ventures* prescribes the accounting for investment in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IAS 28 applies to all entities that are investors with joint control of, or significant influence over, an investee (associate or joint venture).

Future accounting pronouncements

A number of new standards, amendments to standards and interpretations are not yet effective as at February 28, 2014, 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 though earnings. If this option is elected, entitles would be required to reverse the portion of the fair value though earnings. If this option is elected, entitles 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 February 28, 2014.

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 convertible debt is measured on the statement of financial position using level 2 of the fair value hierarchy.

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

Financial instrument risk exposure

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

Credit risk

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

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure as described in Note 4. There is a risk that the Company may not be able to meet its financial obligation when they are due. All of the Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms. As of February 28, 2014 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	Director
John Shackleton	Chairman of the Board and Director

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