

**MANAGEMENT'S DISCUSSION AND ANALYSIS
OF THE COMPANY'S FINANCIAL CONDITION AND RESULTS OF OPERATIONS
FOR THE SIX MONTHS ENDED NOVEMBER 30, 2016**

FORM 51-102F1

Date and Subject of Report

The following Management Discussion & Analysis ("MD&A") is intended to assist in the understanding of the trends and significant changes in the financial condition and results of operations of Certive Solutions Inc. ("Certive" or the "Company") for the six months ended November 30, 2016. The MD&A should be read in conjunction with the audited annual financial statements of the Company as at May 31, 2016. The MD&A has been prepared effective January 30, 2017.

SCOPE OF ANALYSIS

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

Overview

During the six months ended November 30, 2016 and the subsequent period up to and including the date of this MD&A, a number of significant and material events occurred, which are summarized in this overview and discussed in more detail elsewhere in the MD&A. All amounts expressed herein are in U.S. dollars.

Material Events That Occurred During the Quarter Ended November 30, 2016

1. On September 7, 2016, the Company announced that effective September 2, 2016, the Company and the principals of Titan Health Management LLC (Titan) agreed to convert a total of \$1,800,000 in Certive's original purchase price for the assets of Titan into 6,000,000 common shares of Certive or \$0.30 per share. All of the shares subject to the conversion have been allotted but not issued. The shares will be issued at the sole direction of Titan. The Titan division has grown demonstratively since the asset acquisition in July of 2014 from a business generating approximately \$1.8 million in annual revenues to one generating over \$4.0 million in annual revenues with opportunity for additional significant growth.
2. On September 14, 2016, the Company announced that effective September 12, 2016, it closed a private placement for gross proceeds of \$630,456, in exchange for the issuance of 2,101,523 units (the "Units") in its capital stock. The Units were sold at a price of \$0.30 per Unit. Each Unit consists of one common share and one common share purchase

warrant. Each warrant is exercisable for two years commencing from September 12, 2016 at a price of \$0.35 per share.

3. The Company announced that effective September 12, 2016, a total of 1,263,570 incentive stock options were exercised for total proceeds of \$252,714.
4. On September 19, 2016, the Company held an Annual and Special Meeting of Shareholders to among other matters approve the amendment to its articles of incorporation to create a new class of preferred shares, the purpose of which being to compensate directors, officers and consultants to the Company and to ensure managements control of the Company in the event of a dilution event resulting from a significant acquisition. The intention was and remains to ensure that management maintains 51% control of the Company as an integral part of a proposed conventional bank financing contemplated to contribute to the acquisition referred to above. The preferred shares each carry one vote and they do not participate preferentially in either dividends or liquidation. The preferred shares are convertible into common shares on a one to one basis upon the occurrence of certain events.
5. The Company also announced the granting of 2,100,000 stock options to directors of the Company, exercisable into 2,100,000 common shares at a price of \$0.22 per share for a period of five years.
6. On October 11, 2016, the Company announced that effective September 29, 2016, the Company and the principals of Omega Technology Solutions Inc. (Omega) agreed to convert a total of \$600,000 in Certive's original purchase price for the assets of Omega into 3,000,000 common shares of Certive or \$0.20 per share. All of the shares subject to the conversion have been allotted but not issued. The shares will be issued at the sole direction of Omega.
7. On November 23, 2016, the Company secured a bridge financing totaling \$296,000 by way of promissory note from a Canadian sophisticated investor. Interest on the financing was set at 10% up to and including its maturity date of May 31, 2016. Thereafter interest will accrue at 18% per annum calculated semi-annually. The promissory note is convertible into common shares of the Company at a price of \$.15 per share. The lender secured a warrant as an integral part of the financing totaling 1,500,000 shares exercisable for two years from the date of the loan grant at an exercise price of \$.11 per share. Principals of the Company lodged 1,400,000 common shares owned by them as collateral for the loan.
8. On November 30, 2016, the company converted \$810,000 (plus accrued interest) into 5,270,030 units (the "Units") in its capital stock. Each unit consisted of one share and ½ warrant. Each warrant is exercisable for two years commencing from November 30, 2016 at a price of \$0.38 per share.
9. On November 30, 2016, the company converted CDN\$120,000 (plus accrued interest) into 509,443 units (the "Units") in its capital stock. Each unit consisted of one share and ½ warrant. Each warrant is exercisable for two years commencing from November 30, 2016 at a price of CDN\$0.50 per share.

10. During the quarter management initiated a sales and marketing strategy for the Omega division, targeting regional market hospitals throughout the country. Approximately 300 critical access facilities have been identified, of which 50 have been contacted directly by the Company at the date of this MD&A. Of that list, seven hospitals are now targeted as near term prospects for Lost Charge Recovery revenues. One of the seven hospitals has now confirmed that they are proceeding with the execution of the contract. The projected value of these targets to the Company will be sufficient to ensure that the business operates profitably. See section below, Regional Markets Opportunity for more details.

Material Events That Occurred Subsequent to the Quarter Ended November 30, 2016

1. On January 6, 2017, a total of 2,031,354 options were exercised by optionees for a total of \$406,270.
2. On January 24, 2017, the Company secured a bridge financing totaling \$518,000 by way of promissory note from a Canadian sophisticated investor. Interest on the financing was set at 10% up to and including its maturity date of January 24, 2019. Thereafter interest will accrue at 18% per annum calculated semi-annually. The promissory note is convertible into common shares of the Company at a price of \$.11 per share. The lender secured a warrant as an integral part of the financing totaling 4,100,000 shares exercisable for two years from the date of the loan grant at an exercise price of \$.11 per share.

Summary of Corporate Status as at November 30, 2016

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

1. Titan Division: The Titan Division has operated profitably for the six months ended November 30, 2016. The six-month period results ending November 30, 2016, were consistent with the prior year. Gross revenues for the six months ended November 30, 2016 were \$1,966,399 with a gross margin of \$1,028,314 or 52% and a NOI of \$400,670 or 22.0%. Titan is shifting from low margin Billing Support business to higher margin Claims Audit and Collections business. Titan revenues are modestly lower this quarter due to a reduction in the volume of business generated from one of the Division's larger customers in the Billing Support area. This trend may continue as the customer seeks to bring some of these services we provide in house over the following twelve months. Titan has however replaced much of this sales volume with new and more profitable business, most of which will come on stream in the third fiscal quarter.
2. Omega Division: The gross revenue for the Omega Division for the first six months ended November 30, 2016 totaled \$737,152. The loss for the six-month period was \$210,139.

The Omega Division operated at a loss due to the fact that the conversion to the paperless reporting system impacted revenue and invoicing in the first quarter contributing to a loss of \$175,978 in that quarter. The loss for the second quarter of \$34,162 reflects the return to normal operations and billing practices. In January 2017, the division invoiced a total of \$140,000 representing break even divisional performance.

As the division continues to focus on regional markets the ease of access and sales closure times will improve dramatically and as a result the accretive nature of the revenue stream will impact positively on the company's consolidated operating performance.

The large North-Western hospital system in which we were testing initial sample data has now confirmed their intention to engage with Certive. Contracts have been circulated for signature, at which time the Company will commence provision of its services. The Company's findings from the test confirm the approximate size of the revenue opportunity to Certive will be in excess of \$21 million in aggregate.

3. General Business Development: Engagements are being sought through cross selling all categories of business between and among the existing divisions. In addition, the Company entered into a business fulfilment agreement to support its sales and marketing efforts in the self-pay/collection services sector of revenue cycle. Management believes that a significant contract will be entered into in the first calendar quarter in 2017 with one of our existing customers to the benefit of our fulfilment provider in the self-pay collections sector of revenue cycle.
4. Acquisition: The Company continues to pursue its previously disclosed acquisition, the letter of intent for which is referred to in previous MD&As.

FORWARD LOOKING STATEMENTS

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

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

- a) The Company's acquisition strategy, including the basis upon which the Company will evaluate acquisition criteria and the benefits associated with an acquisition.
- b) The Company's ability to identify geographically dispersed non-competing acquisition targets that possess vital hospital customer relationships and unique categories of business and to successfully complete each acquisition, including the transactions contemplated in the Letter of Intent.
- c) The identification of new lines of business within revenue cycle management for U.S. hospitals that are unique and provide value added benefit for hospital administrators.
- d) The ability to cross-sell different services between and among the Company's customers resulting from selected acquisitions.
- e) Expectations of both divisional profitability and comprehensive corporate profitability for each acquisition. The Company must continue to hold pricing in the absence of seeking offshore labor cost reductions to remain competitive and thus prevent a commoditization of its services.
- f) Expectations regarding the ability to raise capital to fund increasing working capital requirements and achieve sustainable near and long term growth. Partially cash funded acquisitions may lead to substantial dilution if the majority of the acquisitions are stock based.
- g) Inability to show immediate and continued outperformance of incumbents being replaced. The path to better economics in this industry is to price at a premium. In order to premium price however the Company must offer a greater value proposition to the customer than the prior incumbent.
- h) The Company must be mindful of a downward move by upper market tier participants who recognize the opportunities in the tier 3 highly fragmented market space.
- i) The Company must assess the relative risk associated with acquisition size, category of revenue integrity services provided and the need for working capital to support the growth of each acquisition.
- j) The Company must be mindful and reactive to disruption in the U.S. healthcare markets and target, both acquisition opportunities and internal growth with a focus on this disruption to achieve maximum rates of return on internal cash.
- k) As the Company expands its service offerings, it will need to ensure that there is a constant vigilance over new and changing regulations that will impact the ability to remain compliant.

General History

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

- The Company changed its name to Certive Solutions Inc. in October 2013 to pursue sales and marketing opportunities as a business process management provider focused on

revenue lifecycle management in the U.S. healthcare industry. The Company's Chairman, Mr. Shackleton, has been instrumental in bringing mission critical expertise to the Company.

- In late 2013 and largely due to a market assessment performed by management in the fall of 2013, the Company narrowed its strategic focus to the provider side of the U.S. healthcare industry and specifically to U.S. hospitals, who wrote off between 3% and 15% of their total revenues to denied claims for a variety of reasons.
- In March 2014, the Company entered into a strategic relationship with Titan, a company with over twelve years of domain expertise supplying revenue cycle management services on an outsourced basis to U.S. hospitals. The Company's technology and capital formation expertise combined with Titan's knowledge of the many opportunities in revenue cycle management, led to a logical partnership. Ultimately this led to the Company's acquisition of the Titan assets in July 2014 and the integration of Titan's management team and staff into the Company's operations.
- The acquisition of the Titan assets closed on July 3, 2014. Since June 1, 2014, the Company has operated Titan pursuant to a transition services agreement, which provided among other things, complete financial control of the enterprise. Effective September 2, 2016, the Company and the principals of Titan Health Management LLC (Titan) agreed to convert a total of \$1,800,000 in Certive's original purchase price for the assets of Titan into 6,000,000 common shares of Certive or \$0.30 per share. The Company purchased the assets of Titan on July 3, 2014 for and in consideration of cash, promissory notes in favor of Titan and its principals, common shares and convertible preferred shares, subject to earn out provisions. Integral to the stock settlement, the Company will issue the originally agreed 1,000,000 common shares to the principals of Titan as a signing bonus. Pursuant to the terms of earn out attached to the 1,250,000 preferred shares, the Company is in agreement that the preferred shares qualify for conversion into 1,250,000 common shares and accordingly these shares will be issued at the same time as the shares being issued on the note conversion. All shares contemplated for issuance above will be issued subject to time released escrow restrictions that will be specifically described in a revised closing agenda. The Titan division has grown demonstratively since the asset acquisition in July of 2014 from a business generating approximately \$1.8 million in annual revenues to one generating over \$4.5 million in annual revenues with opportunity for additional significant growth.
- With the acquisition of Titan, the Company provides its revenue cycle management services to 50 hospitals throughout the United States. Primary activities include zero balance collections, early out collections and billing support services. The Company supports several large revenue cycle providers internally as a result of the high level of expertise and credibility afforded by the Titan staff. The Company's lines of business are disclosed in greater detail below.
- The acquisition of the assets of Knowledge Capital Alliance Inc. (KCA) closed on August 31, 2014. From June 1, 2014 to that date, the Company operated KCA pursuant to a

transition services agreement, which provided among other things complete financial control of the enterprises until close of the transaction. This has enabled the Company to report consolidated revenues from June 1, 2014 onward. KCA provides business process management solutions to public health departments at both the state and county level. KCA has developed an automated dashboard tool set and workflow technology that will be offered to over 2800 public health organizations throughout the United States. Moreover, the principals of KCA will immediately begin to support the Company's consultative efforts as it seeks out new lines of business within revenue cycle management of U.S. hospitals. At the date of this MD&A, KCA generates approximately \$550,000 in annual revenue.

- On July 15, 2015, the Company acquired the assets of Omega Technology Solutions LLC (Omega). With the acquisition of Omega, the Company adds a technology base and the ability to provide charge capture services on a retrospective and prospective basis and expands its customer footprint to approximately 100 hospitals. Omega has led the revenue cycle industry in charge capture audit and recovery services for hospitals since 1992. Omega has made a significant investment in revenue integrity analytics technology that is the foundation for its delivery of revenue services and cloud products that identify revenue opportunities and address compliance issues. Omega's solutions deliver real-time analysis and capture of unidentified charges not captured by the hospital, and prevention of charging and billing issues that reduce or delay reimbursement. Additional services offered include comprehensive claims analysis for coding integrity, and revenue leakage prevention. Omega has over 45 well developed, long term relationships with hospitals on the east coast of the United States and has recovered over \$180,000,000 in aggregate since its incorporation 20 years ago. Omega has over 25 employees engaged in the revenue cycle process, and 47 hospitals currently under contract.

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

REVENUE CYCLE MANAGEMENT FOR HOSPITALS – A DEFINITION

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

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

- Scheduling and Eligibility
- Pre-Registration and Financial Clearing

- Admitting, Registration
- Point of Service Charge Capture
- Case Management
- Coding
- Pre-billing and Billing
- Submission to Payers – Patient and Third Party Payers
- Payment Posting
- Denial and Payment Analysis
- Self-Pay and Collections

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

Certive Solutions Inc. operates its wholly owned subsidiary Certive Technologies Arizona Inc. (“Certive Arizona”), an Arizona corporation, located in Scottsdale, Arizona. Under Certive Arizona there are three operating units, Knowledge Capital Alliance (“KCA”), Titan Health Management Solutions (“Titan”) and Omega Technologies Solutions (“Omega”).

CERTIVE ARIZONA’S RCM PLATFORM

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

OMEGA - Charge Accuracy and Chart Review services.

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

TITAN - Claim Audit and Recovery services.

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

Both Omega and Titan were acquired as operating entities with proven track records in these segments. The financial reports can be provided as confirmation of their respective operating performance over the past 20 and 12 years respectively.

The segment of the post-care delivery RCM continuum that currently is not provided by Certive Arizona is Self-Pay and Collections. The acquisition disclosed but not yet closed by the Company will significantly increase Certive's penetration of the RCM market with additional highly valuable service offerings in the growing self-pay and collection segment of the industry.

Certive has identified a Self-Pay and Collections group with a long history of profitability and expertise that is located in the northwestern geography of the United States. A Stock Purchase Agreement is in final negotiations. The business is 100 percent owned by the vendor, who has operated these entities for over 20 years. Certive Arizona will be the Buyer of 100 percent of the stock of two entities.

The acquired companies will become an integral part of the Certive Arizona RCM Platform. Its integration into the Platform will enable the Company to offer a full range of post-care RCM services to its current customers and provide a more attractive and comprehensive package of RCM services to many prospects in the healthcare arena. The acquisition brings a customer base that is anchored by two major hospital systems and its related providers. There is a long-term relationship that has been verified as dependable going into the future.

As a first step in the acquisition, the acquisition target has entered into a Business Development Agreement with Certive. This Agreement allows Certive to market the target's services on a nation-wide basis for a percentage fee of the revenues generated by the target.

Independent of the acquisition, the Company has expanded its service offerings, increased the number of customers represented and more than doubled in size, both in revenue and in staffing levels since June 2014. An important objective associated with all acquisitions is the ability to secure valuable retrospective data and through actuarial and algorithmic analysis, provide risk analysis tools to hospital administrators that differentiate service offerings, thereby providing meaningful and useful tools for the maintenance and growth of hospital profitability.

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

Certive intends to selectively grow its access to new customers through acquisition of companies that provide services to hospitals that are much needed and relate to the increasing urgency to identify better overall outcomes on reimbursement. The footprint alone is merely a starting point. With a growing customer base, the Company can sell more services to its customer base and cross sell offerings between and among those customers and develop analytical tools to mitigate three primary risks associated with any provider business:

- Eligibility/Enrollment Risk

- Patient Services Risk
- Collection Risk

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

Certive has targeted additional acquisitions for the upcoming 2016 calendar year. With the appropriate funding in place, Certive will be positioned to close on these acquisitions, all of which will bear the same financial metrics from a growth perspective.

The Company formed an acquisition committee to review and examine all acquisition targets for presentation to the Board of Directors and, if thought fit, to recommend for approval by the Board. The Company presently intends to make several acquisitions during the next 18 months.

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

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

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

Exchange committees over the years. Mr. Benton is a former Governor of the New York Stock Exchange.

- Scott Ivers currently the CFO of Kirke Financial and a member of the acquisition committee.
- Don Gilbert recently joined the Advisory Council and has extensive background in healthcare, particularly in the State of Texas where he served as Secretary of Health and Human Services under Governor George W. Bush.
- Michael Marshall, CEO of e5 Workflow Inc. joined the Advisory Council in December 2015 and provides to Certive, operational capabilities in revenue cycle management with hands on expertise in all aspects of this industry.
- William Dagher is a healthcare professional and revenue cycle expert.

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

Members of the Advisory Council have all invested in Certive and are committed to assisting in charting its course through growth by acquisition and organically. The Advisory Council will meet formally four times annually and informally on a regular basis.

The Board of Directors is comprised of a majority of independent directors, with industry expertise covering all areas, from governance to human resources.

Certive has identified several new lines of services that will be offered to all customers in its footprint over the following months. The Company has successfully integrated technologies developed by Omega into the Titan division with seamless accuracy and scalable new results. Certive's revenues are recurring in nature.

The Company's Business

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

Effective June 1, 2014, the Company, through Certive Technologies Arizona Inc., began operating two divisions that are accounted for separately before consolidation; one that reports the operating results of Titan, and the other that reports the operating results of KCA. This was accomplished through transition services agreements that provided the Company with full operating control of both entities commencing on that date. On July 15, 2015, the Company completed the acquisition of Omega and accordingly, effective July 15, 2015, the Company commenced operating a third division on an identical basis as Titan and KCA. The transition services agreements remain in effect as at the date of the MD&A.

Description of the Business

Executive Summary - The Business

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

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

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

Certive seeks to acquire a major player in the self-pay sector of the revenue cycle, which combined, represent in excess of \$15,500,000 in annual revenues and \$3,200,000 in annual EBITDA. This acquisition places Certive squarely in the most lucrative and growing segment of revenue cycle management (see comments above).

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

Currently, Certive's two divisions Titan and Omega, provide retrospective claim audits against payer contracts, identify underpayments, and rebill and collect revenues for hospital customers. Certive also specializes in recovering cash for hospitals by auditing charts and comparing them to the medical records to discover items and services performed but never billed to the insurance carriers. Certive's divisions have over 20 years of experience providing these services and with that, access to vast quantities of retrospective data from which to develop the analytical tools necessary to effectively manage risk.

The acquisition, scheduled for closing in the fall of 2016, is a consortium of two companies with over 20 years of experience in the self-pay and collections sector of the revenue cycle. The acquisitions will be a driving force supporting workflow integration among all Certive's business units and will place it at the center of the most rapidly growing sector of revenue cycle in U.S. healthcare. The acquisition target is highly scalable, which further enhances its long-term value to Certive.

Together, all three acquisitions will touch every major category in the revenue cycle with access to retrospective, mission critical data from which to extrapolate valuable risk mitigating information from which Certive intends to identify new categories of business to further enhance its offerings to U.S. healthcare providers.

Certive will cross-sell its services to each and every customer within the divisions and drive a 15% compounded annual growth rate (CAGR) per year. Certive will develop information tools for its customers that integrate information across the risk continuum and through this become a much sought after service provider to an growing customer base as well as a company of significant interest to tier one and tier two service providers who may be ill-equipped to develop their own solutions in a timely manner.

The Certive Enabler - What Will Make Certive Win

- A. Certive is particularly fortunate to have an Advisory Council with over 300 years' collective experience in the U.S. healthcare market. The Advisory Council will continue to grow in size. Every member has invested in Certive, each of whom has special projects for which they are compensated on a performance basis. Certive's ability to be observant and reactive to the ever changing and disruptive U.S. healthcare environment is founded on an expansion of the knowledge depth of this Advisory Council, identifying new participants that provide an "inside" track on changes within the sector. These changes will impact Certive's strategies and will affect its enterprise value. Certive will be a strategically positioned technology-enabled service provider to its current and expanding customer base as well as a strategic partner to large players in the industry who would seek nimble, well-run and leveraged relationships.
- B. Competitive Landscape: There are three categories of competitors: a) In-sourcing by Certive's target hospital clientele; b) indirect competitors that offer technology solutions, and c) direct competitors that offer services.

- a. Hospital In-Sourcing: This is the status quo. Hospitals do not have the internal resources and efficiencies to do this alone and have long relied on vendor relationships to help manage through the complex reimbursement and revenue cycle process and this will not change. Increasing complexities, reduced reimbursement, focus on outcomes, rising costs of care, consolidation, and changes in the regulatory environment have resulted in increased financial pressure on the hospitals and the need for improved efficiency. All this results in an increased market opportunity for vendors who can deliver.
- b. Indirect Technology Vendors:
 - i. Several vendors such as MedAssets, Craneware, etc. provide technology solutions that attempt to solve the hospitals problems. Hospitals, however, are resistant to further reinvestment in more “systems” and need to have their problems solved, when in fact, these solutions actually contribute to the problem by often reducing claim value allowing greater leakage to occur. Often, hospitals are frustrated with pure technology solutions as, in the absence of a strong service component, they fail to deliver on the promised value proposition.
 - ii. Large health information management (HIM) providers such as Cerner and Epic are technology suppliers to the industry that are seeking to add a viable service component to their revenue models. In the absence of acquisition strategies, they are unlikely to move fast enough to catch the changing landscape in the services model. They do however possess unique access to new customers and every implementation of the systems raises a large revenue leaking issue for the hospital that must be addressed. Certive on the other hand, is a service company with net free cash flow that can quickly adapt to change and identify risk management solutions that become useful “extenders” to the current services offering of these providers. Certive then becomes a very important piece of the puzzle to these competitors who are ill equipped to move quickly. Certive, therefore, treats these companies as a source of business, NOT direct competition.
- c. Direct Service Competitors:
 - i. Tier 1 players such as Accenture provide comprehensive services to the industry with a “big” service model. They are limited in number. These companies often are engaged with the large hospital systems and are subject to the same “big” inflexibility of larger corporations, are costly, and do not address the core leakage issue leaving white spaces and large revenue leaking problems un-addressed.
 - ii. Tier 2 players are medium sized players owned by private equity that are built to sell and have no domain capacity other than what they bought and little capacity to strategically think quickly. There are a handful of these players. Private equity is attracted to this space, which validates to some extent the opportunity, but private equity firms need to deploy large sums

of capital which often results in ineffective returns on cash invested. Some of these companies could become larger future acquisition targets for Certive.

- iii. Tier 3 companies are smaller players that are part of the fragmented nature of this tier. They have customer access, and good principals, but are cash limited and have no long-term vision for how they fit into the market. That makes them perfect acquisition targets for Certive where it could acquire attractive clients and/or service niches, layer in its strategies, use the vast data it acquires to drive the development of better tools for long-term risk management and become a sought after enterprise.

C. Certive has acquired cash flow positive companies with superior customer relationships. Certive will use the free cash to invest in analytical tools that serve to mitigate operational and financial risk for U.S. hospitals. The Company will, with its current access to years of data, be positioned to develop algorithms that support predictive business process management tools. Certive will layer this capacity into the current service offerings to improve service delivery, and the management of financial, patient service, and collection risks associated with hospital viability. This will be a staged solution delivery process addressing financial risk first as the data sources to provide tools are most readily available.

Business Definition

The Company is a technology enabled service provider in the Revenue Cycle Management (RCM) segment of the U.S. healthcare industry focused on claims audit and recovery for U.S. hospitals.

The Company is also engaged in the provision of business process management solutions to state and county health departments in the U.S. and in particular in Maricopa County, Arizona. Through the acquisition of KCA, the Company delivers these services.

Revenue cycle management refers to the creation of a valid bill to insurance companies and government agencies in an effort to collect payment for services provided. The payment of these services has at least once been denied to qualify as an RCM opportunity. Often, the payment for services has been denied for simple reasons such as a “miscoding” (using an inaccurate reimbursement code or labeling code for services at the time of being provided). With the coding changing on an annual basis, this has become a growing problem. Payment for services is regularly denied because payment requests have been made through incorrect channels or with an incorrect cadence implying a workflow issue that can be addressed. In total, these errors have created a *U.S.-only* total available market (TAM) for recovery of *~\$50 billion annually*. Industry statistics on U.S. RCM TAM growth tracks with current figures (RCM for Tier 3 space is 5% of total annual billings – which equate to *~\$1 Trillion USD*) and will grow secularly with overall health claims growth

Critical Success Factors to the Core Business

There are several key indicators for the Company's success in the claims audit and recovery sector of the U.S. RCM market segment as follows:

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

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

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

Lines of Business

Titan Division Lines of Business

The Company provides claims audit and recovery services through five principle lines of business:

Zero Balance: This line of business represents the auditing of claims to identify underpayments by comparing actual payments to contracted terms for specific procedures. Recovering the differences between the two is "zero balance". The Company enters into long term contracts with its hospital customers to collect these claims and earns it fees based upon a revenue sharing relationship with the hospital in accordance with the contractual terms between the two. Generally, the Company's proportionate revenue sharing contracts provide for a 30% payment on recovered amounts.

Billing Support: The Company provides a front-end service to hospitals and other third party providers, analyzing claims prior to submission for payment to commercial insurance companies.

The provision of this service to the Company's customers is clear evidence of a trusted and highly credentialed reputation insofar as the hospital seeking this service is relying heavily on an outside third party to support the entire billing process. The Company generally charges a fee for this service based upon time at a rate of cost plus 40%. All overheads are absorbed into the cost calculation.

Early Out: Claims are typically queried by payers for a variety of reasons. As claims are returned for further information, a backlog of partially completed claim filings results, which if not resolved before the expiration of the contractual period between the hospital and the payer, will result in the claim being denied. "Early out" refers to the process of acting on claims in the work-in-process bundle before they reach contractual expiration. This service is typically provided on a revenue share basis similar to Zero Balance.

Clinical Review: As the name implies, this service involves a review and audit of claims that have been denied for clinical reasons. The Company earns its fees from this line of business on a revenue share basis. Generally, this service is supported by nurse practitioners who are skilled in determining medical necessity etc.

Special Projects: Relying on extensive domain expertise in the industry, and supported by the Titan management team, the Company identifies niche market opportunities that are not generally offered by other service providers. Revenue generated from this line of business can be either on a revenue share basis or a fee for service on time basis.

Omega Division Lines of Business

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

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

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

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

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

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

Technology and Scale

Management's assessment of the RCM market is that many of the service providers supporting third party outsourcing of denied claims, lack the ability to scale and therefore grow. Scale can be introduced with software solutions and workflow tools that streamline and integrate the vast amounts of data created on individual claims, and automate the audit process. The Company has engaged e5 Workflow Solutions Inc. to develop specific work flow tools for application in Titan's operation. As a result of the acquisition of Omega's assets, the Company acquired a select suite of software products used internally by Omega in the delivery of its services to hospitals. The Company has successfully integrated many of these software tools into the Titan business unit resulting in more scalable operations and the ability to offer additional services to its customers.

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

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

ChargeMASTER contains 3 modules:

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

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

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

ii) OC Examiner Charge Capture Software: OCExaminer delivers unique charge capture software designed to help hospitals optimize its revenues. Omega's 20 years of experience in performing

hands-on lost charge recovery engagements has resulted in the development of an unmatched revenue capture software. OCExaminer is designed to analyze claims to ensure that any potentially missing charges are identified prior to submitting the bill.

There are five core components of OCExaminer's LCR (Lost Charge Recovery) edits:

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

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

It also helps ensure compliance by automatically checking for:

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

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

OnePoint contains 6 modules;

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

Revenue Integrity In Healthcare

Healthcare providers have long relied on conventional revenue cycle management practices to drive and ensure financial performance, yet most are not collecting all the revenue to which they are entitled. This disparity – the gap between the amount of revenue that providers are entitled to and the amount of reimbursement eventually received – is called revenue leakage, and it's a significant problem. Vast amounts of reimbursement are lost daily due to inaccurate pricing, charging, and coding of services and supplies related to patient care. Most healthcare organizations realize they're missing revenue, but are unable to detect the source or extent of the leakage.

In today's healthcare environment, optimal financial performance requires more than cost reduction strategies, random audits, and denial management. Recent studies suggest that 92 percent of hospitals lose money on outpatient services – the fastest growing segment of hospital billable services – and having to redo medical necessity denials costs some hospitals more dollars than

they ultimately receive in collections. This adds up to lost revenue contributing to the negative margins experienced by nearly one-third of hospitals. Moreover, today's financial and labor market forces are dictating that healthcare providers do more with fewer resources. At the same time, they must deliver the outstanding quality care their communities deserve, while abiding by the government stipulations designed to protect and regulate the industry.

Drivers of Revenue Integrity:

Those who focus only on decreasing costs lose out to those who focus on optimizing revenue. According to a recent Thomson Reuters report, the most profitable hospitals derive more of their advantage from enhancing revenues than from controlling costs and, spending more for supplies, drugs, and other direct expenses than their less profitable counterparts. Also, they pay higher salaries and benefits, but have more productive employees, offsetting higher compensation levels. At best, reducing costs represents a small fraction of full revenue potential. A comprehensive revenue integrity program is needed.

Historically, healthcare organizations had to focus primarily on whether reimbursements were accurate. Even now, some are still struggling to get accurate claims out the door with little time or resources for meeting new challenges. Mounting concerns about rising costs, compliance requirements, and reduced reimbursement are further complicated by the increased number of auditing entities. For example, The Patient Protection and Affordable Care Act has created an additional Recovery Audit Contractor (RAC) program for Medicaid with the goal of identifying and recouping over- and under-payments in that program. Hospitals must be prepared to receive inquiries – from multiple audit entities from federal, state, and commercial programs – that will increase their operating costs and burdens.

Charge Capture:

One of the most common sources of revenue leakage is related to improperly captured or incorrectly billed charges for procedures and supplies. Hospitals may know they're losing revenue, but fail to realize the extent to which incorrect charging and coding contribute to the problem. Further, most hospitals lack the ability to see into their charge capture business processes and data in a way that empowers them to identify the specific sources of revenue leakage – where their actions are out of alignment with industry best practices – and then to stop the leakage at its source. The greatest charge capture risks exist in high-volume, large revenue-producing departments, and in areas with complex coding requirements such as cardiology, radiology, and pharmacy.

Pharmacy is a prime example, where the root of the problem lies in the gap between the pharmacy spend data and the chargemaster data. Possibly the greatest potential for leakage occurs when reimbursable medications are missing or miscoded in the chargemaster. A single erroneous code can cause every transaction entered against that code to be wrong, resulting in potentially millions in lost revenue. A single coding error can be caused by something as simple as a typo in a dispensing cabinet. There is no way to detect such a typo without comparing the pharmacy spend data to the chargemaster data and looking for specific products being purchased but not successfully billed.

According to an April 2009 HFMA survey, nearly 50 percent of participants believe that using automated tools to recognize patterns of error and to measure performance is the best approach to improving charge capture.

Denials and Repayment:

The practice of finding and fixing issues on the back end of the revenue cycle (downstream) results in excessive reworking of claims to fix the same errors repeatedly, as well as a greater volume of denials and delayed payments. In addition to lost revenue, efforts to resolve these issues represent a significant drain on workflow and financial resources. Repayment of revenue captured incorrectly leads to substantial loss. If an organization is not consistently and completely compensated over time, serious financial liability ensues.

Moving forward with a more systematic means of identifying and addressing errors is often met with resistance. A sensible solution requires a fundamental shift from quantifying returns on investment (ROI) based on errors found downstream, to a process that ensures industry best practices are followed from early in the revenue cycle all the way through to the measurement of real-time transaction accuracy. Making a successful transition depends on a high level of commitment to consistency, evaluation, and accountability, and a proactive plan for achieving these best practices.

Market Opportunity/ Revenue Cycle Management (RCM)

Industry Structure: The RCM industry is comprised of the following three tiers that deliver services to U.S. hospitals;

Tier One is the domain of large consultancies with multi-disciplinary practices. Their targets are large enterprise deployments.

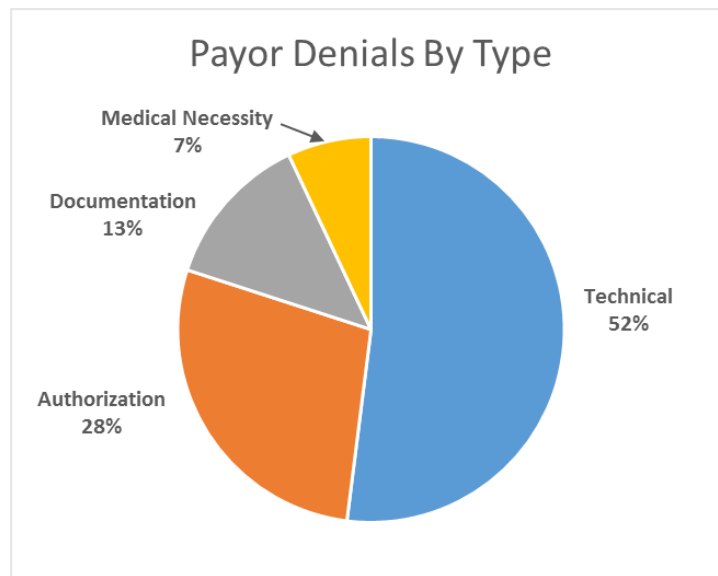
Tier Two is comprised of vendors who generate between \$100 million and \$600 million in annual revenue. There are less than 5 competitors in this tier and they are typically targets of private equity aggregators.

Tier Three is comprised of many smaller vendors who generate between \$2 million and \$10 million in annual revenues. This segment is highly fragmented and largely undercapitalized. Companies in this tier, however, have great connectivity with their customers and are generally more resilient in supporting their customer's needs. This segment represents the acquisition target market for the Company.

The total addressable market (TAM) for RCM in the U.S. hospital market approaches \$1 trillion today. Recovered revenue on denied claims represents approximately 5% of the industry value or \$50 billion annually. While outsourcing claims recovery is in its infancy, logic would suggest that the industry must seek specialized outsourcing solutions simply, to survive and control cash in a largely cash-starved environment. Changing regulations at both federal and state levels, the introduction of ICD 10, and other factors affecting data workflow will demand both experienced and trusted outsourcing solutions combined with cloud based workflow that enables rapid scale.

Since a significant percentage of the RCM hospital market is serviced by Tier Three providers, and since most lack the technology to scale and the capital resources to implement, acquisition opportunities abound.

The differentiating advantage will be technology and the Company recognizes the importance of implementing internal solutions to support the services offered to its customers. Systems, information and recovery process integration are the keys to maximizing recovery of denied claims. A marginal loss in gross dollars associated with denied claims generally has a significant impact on net operating profits. The following graph demonstrates the categories of denials by type.



Market Opportunity

U.S. hospitals write off between 3% and 15% of their annual revenue to denied claims as a result of coding errors, lack of pre-approvals, lapsed coverage or category allocation. Furthermore, over 50% of these denied claims are abandoned with no intervention whatsoever.

The state of U.S. healthcare is trending towards increasing complexity and with that comes the need for trusted service providers that can support existing operations without disrupting them and provide a much-needed result; more efficient claims collections processes. Decreasing reimbursements, increasing regulatory complexities, a deteriorating payer mix, increased patient financial responsibility, significant compliance hurdles and a new consumer driven system are all adding to the very real opportunity for strategically well positioned, aggressive and trusted providers.

The Company intends to be highly opportunistic and strategic in its approach to this opportunity by leveraging its skilled industry knowledge and developing a clear and concise approach to acquisition opportunities, evaluated based largely on the connectivity of customer contracts to the acquisition target, the ability to maximize recurring revenues by extending contract terms and

expanding service offerings to the targets existing offering and demonstrating CAGR of at least 30% annually.

The complexities associated with healthcare reform in the U.S. has placed increasing economic and compliance pressures upon a system already burdened with significant difficulties in reimbursement to providers, and in particular hospitals, by government and commercial payers. Approximately 15% of every healthcare dollar goes to claims processing, payments, billing, revenue cycle management, and bad debt according to a recent McKinsey report. In a \$3.7 trillion healthcare market, this equates to in excess of \$550 billion in lost revenue. Of this total, the estimated value of Certive's near-term addressable market is approximately \$5 billion.

The adoption of ICD 10, the latest revision of the International Statistical Classification of Diseases and Related Health Problems (ICD), is expected to add to this complexity as it became the industry standard in October 2015. The Centers for Medicare & Medicaid Services projects that in the early stages of ICD 10 implementation, healthcare claim denial rates will increase between 100% and 200%, and that payment delays, will grow by 20% to 40%, significantly growing the current market opportunity. It is believed that nearly 40% of all hospitals are considering end-to-end outsourcing for business process functions to improve efficiency, creating a significant, and largely untapped, market opportunity which Certive is uniquely poised to exploit.

Growth Strategy

Certive is focused on becoming a significant and dominant competitor in the \$50B claim audit and recovery segment of revenue cycle for U.S. hospitals. Business development with hospitals is almost exclusively built upon relationships with hospital CFO's. In the absence of acquiring the relationships it would be virtually impossible for any new entrant to this segment to even secure a first meeting with a hospital CFO.

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

The Company is currently developing workflow tools that will improve the capacity to recover denied claims, with the simplest of process improvements and, in particular, in data capture. Certive will be driving implementation of these tools by mid-2015, with an expected 30% incremental increase in productivity. The Company intends to become a major player in this space. The growth strategy is therefore to utilize an asset acquisition process to gain customer access (i.e. hospitals) immediately with little or no marketing dollar investment

Since the Company made the Titan purchase twenty months ago the employee base has grown from 15 to 60 employees. The Company has introduced and is providing a new service referred to as "Billing Support" to many of its hospital customers, a service with a recurring revenue model. The Company has contracted with a former turn around CFO of major hospital systems in the U.S. that is guiding Certive to shape a company that provides a full service in the revenue cycle

continuum assisted by technology that operates from the generation of the bill to the collection of it.

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

Regional Markets Opportunity

During the quarter ended November 30, 2016, the Company initiated a program targeting smaller regional community hospitals with its Lost Charge Recovery (LCR) service delivered by our Omega Division. We anticipate this program will achieve positive cash flow by our fiscal year end May 31, 2017. Initially, we targeted a select group of geographically remote hospitals, that due to their physical location they service a select group patients, most of whom are out of network with the insurance payers associated with these hospitals. Most of the services provided by these hospitals are related to orthopedic injuries. Typically, regional hospitals have a small number of beds that are utilized to maximize efficiencies. These dynamics together, create a significant long term market opportunity for our LCR offering. We have identified in excess of 300 regional hospitals that are strong targets for LCR. Given the highly accretive nature of the Omega LCR business, we also believe that with only a select group of less than 10 such facilities, the Company will generate sufficient revenues from these markets most of which will accrete to our consolidated positive cash flow and EBIDTA.

Utilizing the same dynamics, we also believe that these regional markets will be viable targets for our zero balance services operated by the Titan Division. Large pools of contractual discounts negotiated between payers and these regional hospitals will yield to opportunities for revenue recovery in the zero-balance category.

Similarly, where a certain quantum of net patient revenue exceeds \$125 million annually, we have a unique opportunity in the self-pay/collection business.

Role of the Advisory Council

The Company's Advisory Council is comprised of seven highly credentialed individuals who collectively have years of domain expertise in U.S. healthcare. The curriculum vitae of each member of the Advisory Council have been clearly articulated in this MD&A and in prior

disclosures. Of particular importance however is the fact that each member of the Advisory Council has now, and will continue to have, an ongoing, active role in shaping the future of the Company.

By way of explanation, Certive has with the appointment of Dr. Art Pelberg, access to a seasoned medical director with clinical experience and a wealth of experience in operating a highly successful “plan centric” healthcare enterprise. Charlotte Jacobs will serve to assess the viability of Certive’s acquisition targets in terms of technology prowess and the value of its hospital footprint to major participants in the U.S. healthcare industry. Jeffery Benton, with a lifetime career of excellence in the public markets and as a former Governor of the New York Stock Exchange, will be invaluable in shaping Certive’s messaging to the investment community. Don Gilbert, the distinguished Secretary of Health and Human Services for the State of Texas under Governor George W. Bush, will assist Certive nationally in reaching deep into relationships necessary to drive significant internal growth. Tom Marreel, will work as an integral part of Certive’s management to shape, direct and implement sales and marketing strategies for the consolidated enterprise. With cross selling opportunities abounding, Mr. Marreel will be a key to ensuring that Certive realizes the benefit from the acquired footprint. Fred Hatfield and Tim Hyland, both accomplished deal making, restructuring CFO’s will be implicitly necessary to drive efficiencies at the corporate level and ensure that Certive’s acquisition strategies are sound and meet the tests set for multipliers on enterprise value. Steve Schramm, an accomplished actuarial, who owns a very successful plan based analytics firm, will provide the ultimate elixir to ensure that disparate data becomes valuable and marketable information to healthcare executives in revenue cycle. Jack Chapman serves on the Advisory Council bringing years of experience as a hospital CFO and currently owns and operates as an independent consulting business advising large hospital systems on operating performance improvements. Scott Ivers also serves on the Advisory Board, representing one of the Company’s larger investors.

This talent pool has been assembled with the vision of enabling Certive to become a well- rounded, diversified force in U.S. healthcare and to be predictive rather than reactive to an ever-changing landscape in a highly opportunistic yet disruptive environment.

2017 STRATEGIC PLAN OVERVIEW

Company’s strategic plan for the following twelve months is as follows;

- a) Continue to expand its sales operations in each of the existing divisions, focusing on regional markets for lost charge recovery, zero balance, collections and self-pay revenues.
- b) Complete one or more acquisitions that enhance the existing divisions and provide cross selling opportunities between and among each division.
- c) Expand existing relationships with commercial lenders based upon internally generated free cash flow sufficient to support increased term loans and operating facilities.
- d) Utilize the Advisory Council to identify targeted opportunities both for business development and acquisitions.
- e) Seek sources of expansion capital that will facilitate growth rates in excess of the cost of such capital

Overall Performance for the Quarter

The following discussion of the Company's financial performance is based on the consolidated financial statements for the six months ended November 30, 2016 and November 30, 2015.

As of November 30, 2016, the Company had a cash and cash equivalents balance of \$676,650 (May 31, 2016 - \$213,280), accounts receivable of \$1,094,564 (May 31, 2016 - 1,057,189), prepayment of \$3,091 (May 31, 2016 - 2,281) and loan receivable of \$56,504 (May 31, 2015 - \$nil), and total current assets of \$1,830,809 (May 31, 2015 - \$1,272,750). The increase in total current assets was mainly in the area of cash and is due to receiving a short-term loan. This loan is an advance against future share issuances and will be converted to equity.

There was no significant change in non-current assets which were \$4,583,599 at November 30, 2016 (May 31, 2016 - \$4,606,749). The difference was due to a reduction in capital assets due to amortization.

Current liabilities at November 30, 2016 total \$3,273,897 (May 31, 2015 - \$5,739,838), the decrease is due to several factors, firstly the company received a short-term loan from investors of about \$590,000. This loan is an advanced payment for equity and will not be retired with cash. Secondly, convertible debt decreased from \$4,051,370 to \$1,003,442. Of this change \$2,400,000 of debt was related party owing to the principals of Titan and Omega which is now in Shareholders equity under "other equity instruments" party. An additional \$600,000 of debt was also settled. The net effect is a 43% decrease in current liabilities. Please refer to the reconciliation herein for additional details.

It should be noted that trade payable remained consistent with a change of less than 1%.

Working capital, which is comprised of current assets less current liabilities, is (\$1,443,088) at November 30, 2016 as compared to (\$4,467,088) at May 31, 2016. Working capital has improved but continue to be an area of concern to management. Management believes that there is sufficient working capital to maintain the Company's day-to-day operations.

During the six months ended November 30, 2016, the Company reported a net loss of (\$1,591,049), ((\$0.02) basic and diluted income per share based on 71,657,760 weighted average number of common shares) compared to a net loss of (\$1,949,104), (\$0.05) basic and diluted income per share based on 40,943,836 weighted average number of common shares) for the six months ended November 30, 2015. This was a decrease of loss of about 18.5%.

RESULTS OF OPERATIONS – Six Months Ended November 30, 2016: Certive Solutions Inc.

Results of operations are reported on a comparative basis with the six months ended November 30, 2015.

The Company generated \$2,890,108 in gross revenue for the six months ended November 30, 2016, compared with \$3,347,148 for the six months ended November 30, 2015, a decrease of \$457,040, or 13.6%.

For the six months ended November 30, 2016, the Company recorded gross revenues of \$2,890,108, of which Billing Support Services accounted for \$669,918, Claim Audit and Collections accounted for \$1,296,481 and Consulting Services accounted for \$144,260 with Chargemaster sales totaling \$737,152 and Dashboard sales totaling \$42,297.

For the six months ended November 30, 2016, the Company reported direct payroll costs totaled \$1,568,392 or 54 % of consolidated revenues for the period. This compares to \$1,848,205 or 55% of consolidated revenue for the comparative six months. It should be noted that certain management labor costs were recorded as general administrative expenditures under Salaries and Wages for the six months ended November 30, 2016. This is not consistent with the prior year as management made a decision to charge these costs to the general administration accounts. The aggregate total of such charges including benefits totals to \$122,402.

It should be noted that with the acquisition contemplated herein, the Company will achieve significant reductions in direct labor costs by applying the work flow tools and excess capacity in the target to its current operations.

For the six months ended November 30, 2016, Omega recorded gross revenues of \$737,152 as compared to \$981,951 for the comparative six months ended November 30, 2015 a decrease of \$244,799 or 25%. The Omega division's revenue is down 25% over the preceding comparative quarter due to the fact that for the period ended November 30, 2015, the Company recorded sales for which invoices had been rendered to the payer but for which the Company had not yet invoiced the customer directly. In the current period ended November 30, 2016, the Company did not record any such revenues.

Titan recorded \$1,966,399 in revenues for the six months ended November 30, 2016 as compared to \$2,025,298 for the comparative six months ended November 30, 2015 a decrease of \$58,899 or 3.0%.

Titan revenues are modestly lower this quarter due to a reduction in the volume of business generated from one of the Division's larger customers in the Billing Support area. This trend may continue as the customer seeks to bring some of this services we provide in house over the following twelve months. Titan has however replaced much of this sales volume with new and more profitable business, most of which will come on stream in the 3rd fiscal quarter. In addition, the Titan Division is expanding its sales outreach to regional markets following on the successes of the Omega Division in these markets.

Consulting revenues generated by KCA for the six months ended November 30, 2016 were \$144,260 as compared to \$314,360 for the six months ended November 30, 2015 a decrease of \$170,100 or 54% because of reduced consulting services revenue previously provided to Maricopa County. Dashboard sales increased by \$17,058 to \$42,297 or 68% over last year. The significance of dashboard sales is that as KCA matures to a licensing model from a consulting model and the platform secures national adoption by public health units, this division will generate significant accretive high margin revenue for the Company.

Consulting fees and contractor expenses are directly related to the KCA business unit and to the consulting income generated by KCA. Historically as a practical matter, KCA has hired contractors to perform the work on the contracts it has secured with counties. KCA has only one employee, that being Fred Erickson, founder of KCA. All of the work has been performed by contractors. As the model becomes more licensing oriented the reliance on third party contractors will diminish.

Consolidated gross operating margins for the six months ended November 30, 2016 were \$1,005,006 or 34.8% of revenues, as compared to \$1,086,406 for the six months ended November 30, 2015, or 32.4% gross margin. This is a small decrease of \$81,400 or 7.5%.

Expenses

General overhead expenses for the six months ended November 30, 2016 totaled \$2,163,671 as compared to \$3,035,510 for the six months ended November 30, 2015, a decrease of \$871,839 or 28.7% over the comparative six months.

The following were the most significant changes for the six-month period:

Sales and Marketing: The Company incurred \$54,700 of sales & marketing costs during the six months ended November 30, 2016 as compared to \$133,360 costs for the six months ended November 30, 2015. This represent a reduction of sales and marketing expense of 59%. Largely due to a reliance on internal sales and marketing as oppose to external contractors

Salaries and Wages: The reported Salaries and Wages increased to \$445,393 from \$145,174. This increase in Salaries and Wages of \$300,219 is a \$207% increase. During the quarter ended November 30, 2016 and the quarter ended August 31, 2016 the Company determined that several of it's senior managers where providing corporate services to the company more broadly based than the divisions for which they were responsible. Accordingly, 100% of their compensation has been reallocated during these quarters to a corporate overhead classification.

Interest and Bank Charges: Interest and bank charges for the six months ended November 30, 2016 totaled \$149,321 as compared to \$266,197 for the six months ended November 30, 2015 a decrease of \$116,876 or 43.9%. This decrease reflects the fact that the Titan promissory note has matured and is no longer accruing interest.

Commissions: Commission increased to \$64,175 from \$27,839 an increase of 100%. This increase was primarily due to the fact that Titan pays commission on certain business (Claims audit and Collections) and this resulted in a slight increase in commissions. This trend will continue as the Company continues to focus fully commissioned brokers and sales agents to identify new prospectus for both the Titan and Omega divisions.

Consulting Fees: Consulting fees of \$127,000 were paid in the six months ending November 30, 2016, compared to \$298,878 for the six months ended November 30, 2015. This decrease of \$171,878 was because largely due to cost cutting measures.

Corporate Finance Fees: The corporate finance fees decreased by 80.0% from \$490,280 to \$98,150. This decrease of \$392,130 was because of reduction of fees paid to registered broker

dealers assisting the company under contract. This reflects a more efficient capital markets function for the Company as the business matures.

Management Fees: Management fees of \$289,000 were paid to the Company's CEO, CFO and other C level executives for the six months ended November 30, 2016, compared to \$362,000 for the same period in 2015, a decrease of \$72,000. The prior year contains certain incentive payments not repeated in the current year.

Director's Fees and Advisory board fees: Director's fees decreased from \$164,500 for the six months ended November 30, 2015 to \$35,000 for the six months ended November 30, 2016. This represents a decrease of \$129,500 or 78.7%. Director's fees were reduced as a cost cutting measure. Advisory Board fees also decreased by \$41,000 from \$116,000 in the prior year to \$75,000 in the current year. Some Directors and Advisory board members were paid an incentive to join the respective boards, which was a one-time payment in the prior periods, thus decreasing costs in the current period.

General and Administrative Costs: General administrative expenses decreased from \$240,112 to \$231,393 for the six months ended November 30, 2016, a decrease of \$8,719 over the comparative six months.

Professional Fees: Professional fees paid for the six months ended November 30, 2016 were \$187,541 as compared to \$382,478 for the comparative prior six months, a decrease of \$194,937 for the six months. This decrease stemmed from several areas. Both Legal and Audit expenses were higher in the prior period due to the Titan and Omega transactions. Additional fees were incurred to transition the Company to a higher level of activity.

Rent: Rent and occupancy costs for the six months ended November 30, 2016 totaled \$175,787 as compared to \$136,278 for 2015. The increase of \$39,509 is attributed to the cost of operating the Omega division for the entire six months as opposed to only four months in the prior year.

Travel and Promotion: Travel and promotion costs for the six months ended November 30, 2016 were \$94,187 compared to \$62,229 for the comparative six months ended November 30, 2015. The additional travel costs are associated with the increased level of activity in the company and continued due diligence carried out on new acquisition targets.

Basis of Calculation: Black-Scholes

During the six months ended November 30, 2016, the Company granted 2,100,000 stock options. The weighted average fair value of the options granted of \$432,384 was determined by the Black-Scholes pricing model using the following assumptions: risk-free interest rate of 0.60%; expected life 5 years; expected volatility – 165%; expected dividends – nil; and provision for forfeiture of. The options granted vested on the grant date.

The basis for the Black-Scholes expense calculation is reported both in this MD&A and it the Company's notes to its financial statements. As noted it represents a non-cash charge to the income statement that is not a cost associated with funding daily operations. If the

comprehensive loss was adjusted for the black-Scholes share option expense the adjusted loss would have been \$1,158,665.

The comprehensive loss for the six months ended November 30, 2016 was \$1,591,049 as compared to \$1,949,104 for the six months ended November 30, 2015. This represent a 14.5% reduction of overhead expenses.

The fully diluted loss for the six-month period per share outstanding as at November 30, 2016 was \$0.02 per share calculated on the basis of 71,657,760 consolidated weighted average common shares outstanding.

RESULTS OF OPERATIONS – Three Months Ended November 30, 2016: Certive Solutions Inc.

Results of operations are reported on a comparative basis with the three months ended November 30, 2015.

The Company generated \$1,373,808 in gross revenue for the three months ended November 30, 2016, compared with \$1,934,087 for the three months ended November 30, 2015, a decrease of \$560,279 or 29%.

For the three months ended November 30, 2016, the Company recorded gross revenues of \$1,373,808, of which Billing Support Services accounted for \$305,835, Claim Audit and Collections accounted for \$514,181 and Consulting Services accounted for \$70,004 with Chargemaster sales totaling \$458,831 and Dashboard sales totaling \$24,957.

Operating Expenses did not decrease as significantly, resulting in a decreased gross margin of 30% in the current quarter compared to 35.5% gross margin in the corresponding period in prior year. We were able to reduce Contractors and Consulting fees down 34% AND Direct Payroll and benefits down 20%. We took steps to moderate the fixed payroll and contractor burn as our sales were off and cash flow became tighter. Our margins were reduced temporarily as we were not able to reduce costs at the same rate our revenue was reduced. Margins are off due to the fact that revenues were down by 29% but we were only able to trim our payroll and contractor costs by 22% therefore a 7% hit reflected in costs that had to be absorbed.

Expenses

Expenses were \$1,139,275 for the three months ended February November 30, 2016 compared to \$2,167,364 for the period ended November 30, 2015. The following are the most significant

Salaries and wages: a decrease of \$300,219

Consulting fees: a decrease of \$171,878

Corporate Finance Fees: decrease of \$392,130

Director's fees: a decrease of \$192,500

Professional Fees: a decrease of 194,937

Details behind the decrease in each category are described above. As the Company, moves to positive free cash there will be a concurrent effort to consolidate operating overheads.

FINANCIAL POSITION

During the current quarter, the Company had the following securities transactions:

September 12, 2016 issued 2,101,523 shares	\$630,456	(private placement)
September 12, 2016 issued 1,263,570 shares	\$252,714	(options exercised)
November 30, 2016 issued 509,443 shares	\$152,833	(convertible security)
November 30, 2016 issued 5,270,030 shares	\$1,001,306	(convertible security)

The financial position as at November 30, 2016, is reported on a comparative basis with the Company's fiscal year ended May 31, 2016.

As at November 30 2016, the Company had a working capital deficiency of \$1,443,088. However there are current liabilities that are scheduled for conversion to equity.

The adjusted working capital should be as follows

Total Current Assets				1,830,809
	<u>Convertible Debt</u>	<u>Short Term Loans</u>	<u>Accounts Payable & Accrued Liabilities</u>	<u>Total Adjusted Current Liabilities</u>
Current Liabilities:	1,003,442	1,164,253	1,106,202	3,273,897
<u>Amounts to be converted:</u>				
Convertible Unsecured:	-1,003,442			-1,003,442
Related Party-Convertible		-206,386		-206,386
Other Convertible loans		-531,200		-531,200
Total Adjusted Current Liabilities	0	426,667		1,532,869
Net Working Capital				<u>297,940</u>

The reported working capital as per the financial statements as at August 31, 2016 was a working capital deficiency of \$4,899,362. The adjusted positive working capital position as per the MD&A for the same period was \$17,534.

The reported working capital deficiency as per the financial statements as at November 30, 2016 is \$1,443,088, an increase in working capital of \$3,456,274 in a three month period. The adjusted working capital as per the calculations noted above as at November 30, 2016 is \$297,940, an increase in adjusted working capital of \$280,406 in the same three-month period.

Both the reported and adjusted working capital positions as at November 30, 2016 have substantially improved based upon the settlement of corporate obligations in accordance with and in compliance with the original commercial terms of reference with the Company's creditors.

Current assets consisted of cash in the amount of \$676,650 and accounts receivable and other current assets of \$1,154,159.

Current liabilities totaled \$3,273,897. Accounts payable represents \$1,106,202. Of the current liabilities, \$1,741,028 is represented by various categories of convertible securities. Assuming that all convertible debt is converted into shares of the Company, the adjusted total amount of current liabilities is \$1,532,869 and the adjusted working capital is \$297,940 as at November 30, 2016.

The Convertible Debt referred to above is comprised of four principal transactions which have been outstanding for in excess of one year. They are reported as current liabilities insofar as the date upon which the obligations are due has passed and no formal extension agreements have been signed. Of the total \$1,003,442, \$654,150 is represented by two lending sources. The Company is currently in the process of seeking conversion of this debt into common stock at the date of this MD&A. All debt reflected in this category is unsecured. Interest has been accrued which will also be settled by way of the issuance of common stock.

The short-term Loans referred to above, consist of \$206,386 due to Titan as part of the original asset purchase transaction. The note is unsecured and will be settled in part, by way of offsetting contributions by the Company to working capital since the date of the Asset Purchase Agreement and through the issuance of common shares of the Company. In addition, \$256,200 represents an amount due to one of the partners in KCA which amount was part of the original asset purchase of KCA. Both this amount and the Titan liability are being settled as part of an amending transaction related to the Asset Purchase Agreements. Settlements for both will be in part completed by way of the issuance of common stock.

The remaining \$275,000 of Short Term Loans, have subsequent to the Quarter Ending November 30, 2016, been settled by way of the issuance of shares.

The remaining balance in the adjusted short-term loans is comprised of one secured loan to a major investor in the Company who provided a \$300,000 short-term bridge loan referred to elsewhere in this MD&A. **There are no other secured loans in the Company and no other loans, which rank equal to or greater than the \$300,000 short-term loan referred to herein.**

SELECTED ANNUAL INFORMATION

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

	Year ended		
	May 31, 2016	May 31, 2015	May 31, 2014
Total Revenue	\$ 5,634,770	\$3,862,837	\$--
Interest income	\$--	\$--	\$--
Expenses	\$ 11,370,457	\$6,177,515	\$2,130,905
Net loss	(\$5,735,687)	(\$2,314,678)	(\$2,130,905)
Total assets	\$5,879,498	\$4,496,007	\$414,719
Total long-term liabilities	\$	\$--	\$--
Net loss per share (basic and diluted)	(\$.11)	(\$.06)	(\$.08)

For the year ended May 31, 2013, the Company wrote off \$4,222,190 in goodwill that was deemed impaired at that date. The Company incurred a further \$981,165 in total expensed for the period. For the year ended May 31, 2014, the Company incurred operating and other costs totaling \$2,130,905. The difference between fiscal 2013 and 2014 is largely attributable to the write off of goodwill. Prior to June 1, 2014, the Company did not have operations and accordingly commenced segmenting its Consolidated Statements of Comprehensive Loss for the quartered ended November 30, 2014.

SELECTED QUARTERLY INFORMATION

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

	Three months ended			
	November 30, 2016	August 31, 2016	May 31, 2016	February 28, 2016
Total Revenue	\$1,373,808	\$1,516,300	\$1,139,211	\$1,148,411
Interest income	\$ --	\$ --	\$ --	\$ --
Expenses	\$2,534,823	\$1,946,334	\$3,871,038	\$2,203,167
Net loss	(\$1,161,015)	(\$430,034)	(\$2,731,827)	(\$1,054,756)
Net loss per share and diluted loss per share	(\$.02)	(\$.01)	(\$.04)	(\$.01)

	Three months ended			
	November 30, 2015	August 31, 2015	May 31, 2015	February 28, 2015
Total Revenue	\$1,934,087	\$ 1,413,061	\$ 1,142,621	\$ 979,059
Interest income	\$ --	\$ --	\$ --	\$ --
Expenses	\$3,412,479	\$1,883,773	\$2,075,602	\$1,731,082
Net loss	(\$1,478,392)	(\$470,712)	(\$932,981)	(\$752,023)

Net loss per share and diluted loss	(\$.02)	(\$.02)	(\$.02)	(\$.01)
per share				

Summary of Quarterly Results

For the quarter ended November 30, 2016, the Company recorded revenues of \$1,373,808. The Company recorded operating expenses of \$963,164 for the quarter ended November 30, 2016, representing a 29.9% operating margin. Overhead expenses totaled \$1,139,275 for the three months plus stock based expense of \$432,384. Comprehensive loss for the three months ended November 30, 2016 was \$1,161,015.

For the quarter ended August 31, 2016, the Company recorded gross revenues of \$1,516,300. This is an increase in quarterly earnings from the previous quarter of \$377,089 (previous quarter revenue of \$1,139,211). In the preceding quarter, the Company recorded \$500,000 in revenues related to billings outstanding at the quarter end for which Certive had completed the work and for which there were contracts for payment in place. In the current quarter the incremental billings were immaterial and not recorded thus contributing significantly to the reduced revenue. In addition, December is traditionally a very slow month for billings in the Titan division. Traditionally revenues are lower by 20% and that was in fact experienced in the current quarter ended February 29, 2016. March revenues totaled \$497,000 up by approximately \$115,000 over the preceding month of February. Anticipated gross revenues for the 4th quarter should be in the historical quarterly range of \$1,500,000 for the final three months of fiscal 2016.

General operating expenses totaled \$1,139,275 for the quarter or \$379,758 per month. A significant contributor to the operating expenses was the salaries paid to key divisional operating managers totaling \$441,569. As the Company begins to consolidate its overhead costs, all management at the operational level will be reported in this category as it more appropriately represents Certive management of the consolidated enterprise.

Sales and marketing costs increased to \$136,386 from \$65,546, this represents an increase from the preceding quarter by \$70,840 representing a significant investment in growing customers in Certive's various markets. Management initiated some cost reductions in respect of consulting fees, management fees and professional fees during the quarter. This signifies the variability in overheads which is essential to effectively manage revenue swings that are very common in this industry. Certive will continue to manage its overhead costs on a variable basis so as to remain as resilient as possible within fluctuating periods of revenue.

Comparatively, on revenues of \$1,934,087 in the preceding quarter, Certive recorded a comprehensive loss of \$1,478,392 whereas in the current quarter, the Company recorded revenues of \$1,148,411 and a comprehensive loss of only \$1,054,755, a clear demonstration of cost containment.

For the quarter ended May 31, 2016, the Company recorded gross revenues of \$1,139,211. This is a reduction in quarterly earnings of \$9,200 (previous quarter revenue of \$1,148,411).

Operating margins for the quarter were 24% of gross revenues compared to 29% for the year ended May 31, 2016. Total gross margin for the quarter was \$278,411 on revenue of \$1,139,211. Direct payroll costs represented 62% of revenues for the quarter.

General operating expenses totaled \$1,447,141 for the quarter or \$482,380 per month. A significant contributor to the operating expenses was the salaries paid to key divisional operating managers totaling \$356,343. As the Company begins to consolidate its overhead costs, all management at the operational level will be reported in this category as it more appropriately represents Certive management of the consolidated enterprise.

Sales and marketing costs decreased to \$133,290 from \$136,386, this represents a decrease from the preceding quarter by \$3,096.

Comparatively, on revenues of \$1,148,411 in the preceding quarter, Certive recorded a comprehensive loss of \$1,054,756 whereas in the current quarter, the Company recorded revenues of \$1,139,211 and a comprehensive loss of \$2,731,827.

For the quarter ended August 31, 2016, the Company recorded gross revenues of \$1,516,300. This is an increase in quarterly earnings of \$377,089 (previous quarter revenue of \$1,139,211).

Operating margins for the quarter were 38% of gross revenues compared to 24% for the quarter ended May 31, 2016. Total gross margin for the quarter was \$573,935 on revenue of \$1,516,300. Direct payroll costs represented 49.7% of revenues for the quarter.

General operating expenses totaled \$1,003,969 for the quarter or \$334,656 per month. A significant contributor to the operating expenses was the salaries paid to key divisional operating managers totaling \$348,166.

LIQUIDITY

- a) As at the date of this MD&A, the Company has sufficient working capital to cover its operating overhead costs for a period of 3 months. The capital necessary to maintain overhead coverage has been secured by way of a convertible bridge financing provided by one of the Company's major investors. The near term objective for the Company is that on a consolidated basis, cash flow from operations will be sufficient to cover all corporate overhead within the following five months.
- 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 Company does not currently have any liquidity risks associated with financial instruments.
- d) The Company does not currently expect to have a working capital deficiency after it has converted the currently outstanding convertible notes as noted above.
- e) There are no balance sheet conditions or income or cash flow items that may affect the Company's liquidity.
- f) The Company has two subsidiaries at the date of this MD&A.

- g) There are currently no defaults or arrears by the Company on dividend payments, lease payments, interest or principal payment on debt, debt covenants; redemption or retraction or sinking fund payments.

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 January 30, 2017 the Company had no off-balance sheet arrangements.

PROPOSED TRANSACTIONS

The Company does not have any other proposed transactions to discuss at this time, other than as is disclosed in Subsequent Events.

TRANSACTIONS WITH RELATED PARTIES

- a) As of November 30, 2016, the Company had advanced \$534,528 to Canadian Data Preserve, Inc., a company with common directors. The common directors are Brian Cameron, Van Potter, and Jack Saltich. The advances are secured with a promissory note bearing interest at 8% per annum. The advance has not been repaid at the date of this MD&A. During the current financial year, the Company has recorded allowance for doubtful debts for the amount of the receivable recorded at that date. Subsequent to the year end, Canadian Data Preserve Inc. has advised the Company that it intends to complete an acquisition and fund a new business venture. The amount allowed for at year end may therefore be recoverable and the Company has continued to fund Canadian Data Preserve Inc.
- b) 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 May 31, 2013, the Company still owed Tulox \$1,800 with respect to this service.
- c) As of November 30, 2014, the Company owed \$20 to Tulox with respect to funds advanced in order to cover monthly bank charges. The loan is non-interest bearing and has no fixed term of repayment.
- d) During the six months ending November 30, 2016, the Company paid management, consulting, and director's fees and salaries to key management persons totaling \$753,700.

Directors fee's

Mike Bartlett	<u>\$ 35,000</u>
Total	<u>\$ 35,000</u>

Advisory Board Fees

Charlotte Jacobs	\$ 40,000
Jack Chapman	\$ 15,000
Tom Marreel	<u>\$ 20,000</u>
Total	<u>\$ 75,000</u>

Management Fees

Brian Cameron	\$144,500
Van Potter	\$144,500
Ann Fierro	\$ 82,500
Fred Erickson	\$ 47,700
Thomas Hoehner	\$114,500
Todd Hisey	<u>\$110,000</u>
Total	<u>\$643,700</u>

- e) As of November 30, 2016, the Company loans receivable of \$534,528 from related parties as follows:
- i. Due from Canadian Data Preserve Inc. \$534,528
- f) As of November 30, 2016, the Company had Loans and Convertible Loans due to related parties as follows:
- i. Loan due to Van Potter \$15,000
 - ii. Loans payable of \$373,276 to the following related parties, Titan, Omega and KCA

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
Common shares issued for:			
Cash - \$015	2,666,667	\$	400,000
2:1 Share Consolidation	(15,490,700)		
Private Placement - \$.10	24,114,810	\$	2,411,481
Treasury Order - \$.1	1,430,960	\$	144,689
Balance at August 31, 2014	41,039,091	\$	12,515,271
Private placement - \$.14	1,277,864	\$	180,365
Private placement – Adjustment	(1,333,333)		(400,000)
Balance at May 31, 2015	40,983,622	\$	12,295,636
Private placement - \$.30	13,457,310	\$	4,037,193
Private placement - \$.11	6,976,922	\$	882,500
Private placement - \$.15	78,750	\$	8,567
Private placement - \$.15	1,169,231	\$	145,756
Private placement – Adjustment	(384,615)	\$	(50,000)
Private placement - \$.15	1,887,590	\$	199,769
Private placement - \$.15	2,000,000	\$	300,000
Private placement - \$.15	916,667	\$	275,000
Balance at May 31, 2016	67,085,477	\$	18,094,420
Private placement	2,101,523	\$	630,456
Stock Option exercise	1,263,570	\$	252,714
Private placement	509,443	\$	152,833
Private placement	5,270,030	\$	1,001,306
Balance at November 30, 2016	76,230,043	\$	20,131,729
Stock Option exercise – Jan 6, 2017	2,031,354	\$	406,271
Balance at January 30, 2017	78,261,397	\$	20,538,000

Stock Options:

The following stock options were granted as at December 29, 2015:

Van Potter	508,708
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Brian Cameron	508,709
Jack Saltich	500,000
Mike Bartlett	500,000
John Shackleton	500,000
MaryAnn Miller	300,000
Fred Hatfield	200,000
Arthur Pelberg	200,000
Tim Hyland	200,000
The Marreel Family Trust	800,000
Steve Schramm	200,000
Charlotte Jacobs	600,000
Jeffrey Benton	200,000
Don Gilbert	200,000
Scott Ivers	200,000
Jack Chapman	200,000
Johnathan More	550,000
Mouane Sengsavang	150,000
Robert Kang	150,000
Ian Moddison	250,000
Peggy Turner	130,000
Dale Fitzhenry	<u>500,000</u>
Total	7,547,417

The following options were in existence prior to the above grant.

Van Potter	2,250,000
Brian Cameron	2,250,000
Ian Moddison	250,000

Effective September 12, 2016, a total of 1,263,570 incentive stock options were exercised for total proceeds of \$252,714.

The Company granted of 2,100,000 stock options to directors of the Company, exercisable into 2,100,000 common shares at a price of \$0.22 per share for a period of five years.

Previously issued options	12,297,417
Exercised options	(1,263,570)
New Grant of Options	<u>2,100,000</u>
Total outstanding options	<u>13,133,847⁽¹⁾</u>

⁽¹⁾ As at November 30, 2016 and the date of this MD&A.

Warrants:

The following warrants are outstanding:

Warrants outstanding at May 31, 2016	5,061,239	
Issued in the period:		
Warrants issued September 12, 2016	2,101,523	Expiring September 12, 2018
Warrants issued November 30, 2016	2,635,017	Expiring November 30, 2018
Warrants issued November 30, 2016	<u>254,723</u>	Expiring November 30, 2018
Total	<u>10,052,502</u>	

Total warrants outstanding at November 30, 2016 was 10,052,502 warrants

CONTINGENCIES

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

SUBSEQUENT EVENTS

1. On January 6, 2017, a total of 2,031,354 options were exercised by optionees for a total of \$406,270.
2. On January 24, 2017, the Company secured a bridge financing totaling \$518,000 by way of promissory note from a Canadian sophisticated investor. Interest on the financing was set at 10% up to and including its maturity date of January 24, 2019. Thereafter interest will accrue at 18% per annum calculated semi-annually. The promissory note is convertible into common shares of the Company at a price of \$.11 per share. The lender secured a warrant as an integral part of the financing totaling 4,100,000 shares exercisable for two years from the date of the loan grant at an exercise price of \$.11 per share. In addition, management deposited 1,400,000 shares as additional collateral for the facility.

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 30, 2017.

Comparative periods

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

Use of estimates and judgments

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

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

- i) Depreciation

The Company’s management exercises its judgment in estimating the useful lives of the depreciable assets. The estimated useful lives reflect the management’s estimate of the periods the Company intends to derive future economic benefits from the use of

these assets. The Company depreciates its capital assets in accordance with the accounting policies stated in Note 3.

ii) Recovery of deferred tax assets

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

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

iii) Contingencies

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

Determination of functional currency

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

SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

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

Name of Subsidiary	Place of Incorporation	Proportion of Ownership Interest	Principal Activity
Advantive Information Management Inc.	Vancouver, BC	100%	Information Technology

Certive Technologies
Arizona Inc.

Scottsdale, Arizona

100%

Information
Technology

Foreign exchange

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

Cash

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

License

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

Financial instruments

Financial assets

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

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

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for

impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

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

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

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

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

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

Financial liabilities

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

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

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

Impairment

At the end of each reporting period, the Company's assets are reviewed to determine whether there

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

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

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

Loss per share

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

Income taxes

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

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

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

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

Related party transactions

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

Future accounting pronouncements

A number of new standards, amendments to standards and interpretations are not yet effective as at February 28, 2015, and have not been applied in preparing this consolidated financial statement. 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.

Accounting standards issued and effective for years beginning January 1, 2013.

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 involvement with other entities

IFRS 12 *Disclosure of Involvement with 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).

Interest-bearing loans and other borrowings

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

Provisions

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

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

Share capital

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

Revenue recognition

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

RISK FACTORS

Strategic and operational risks

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

Credit risk

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

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at November 30, 2016, the Company had a cash and cash equivalent balance of \$676,650 and current liabilities of \$3,273,897 of which \$1,840,429 will be settled for stock.

Interest risk

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

Currency risk

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

RISKS AND UNCERTAINTIES

Risk Factors

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

General and Industry Risks

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

Securities and Dilution

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

Competition

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

Conflicts of Interest

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

No History of Earnings or Dividends

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

Potential Profitability Depends Upon Factors Beyond the Control of the Company

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

Dependency on a Small Number of Management Personnel

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

Failure to perform contracts

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

Project performance

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

Intangible asset impairment

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

Future capital requirements

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

Officers and Directors

Van Potter

CEO & Director

Brian Cameron

CFO & Director

John Shackleton
Michael Bartlett
Jack Saltich
MaryAnn Miller

Executive Chairman of the Board and Director
Vice Chairman and Director
Director
Director

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