

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
OF THE COMPANY'S FINANCIAL CONDITION AND RESULTS OF OPERATIONS  
FOR THE YEAR ENDED MAY 31, 2018**

**FORM 51-102F1**

**DATE AND SUBJECT OF THIS REPORT**

This Management Discussion & Analysis ("MD&A") is intended to assist in the understanding of the trends and significant changes in the financial condition and results of operations of Certive Solutions Inc. and its subsidiaries ("Certive" or the "Company") for the year ended May 31, 2018. The MD&A should be read in conjunction with the audited annual financial statements of the Company as of and for the year ended May 31, 2018. The MD&A has been prepared effective October 10, 2018.

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

The Company is publicly traded on the Canadian Securities Exchange (CSE: CBP). Effective September 16, 2014, the Company's shares began trading on the Frankfurt Exchange (FWB: 5CE) and on July 15, 2015, the Company's shares were quoted on the OTCQB Capital Markets in the United States under the trading symbol "CTVEF". As of May 31, 2018 and as of the date of this MD&A, the Company has two wholly-owned subsidiaries; Advantive Information Systems Inc. and Certive Health Inc. (formerly "Certive Technologies Arizona, Inc.") each operating as independent subsidiaries. Certive Health Inc. has two wholly-owned operational subsidiaries: Omega Technologies Solutions Inc. and Knowledge Capital Alliance Inc.

**OVERALL PERFORMANCE**

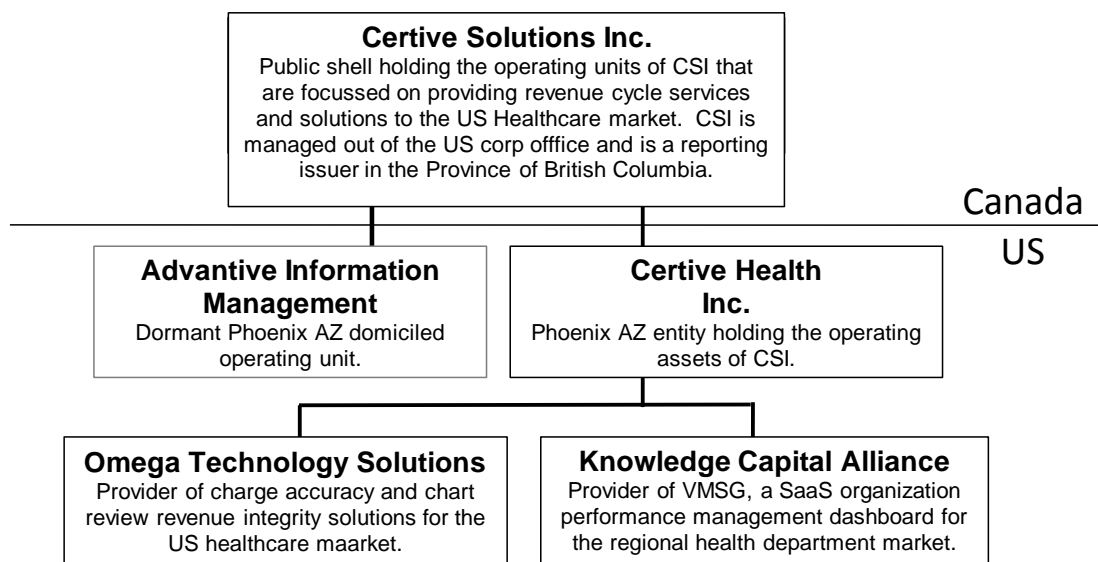
During the year ended May 31, 2018 and the subsequent period up to and including the date of this MD&A, there were no significant or material events that occurred other than as reported herein. All amounts expressed herein are in U.S. dollars. As reported in this MD&A for the quarter and year ended May 31, 2018, the Company's primary operational subsidiary Certive Health Inc. ("CH") and its subsidiaries continue to operate below breakeven sales with negative cash flows; however, with the sales prospects that have been identified in the past several months, management believes that CH may reach breakeven sales volumes before the end of the fiscal year ending May 31, 2019. It is also projected that over the following three months after October 10, 2018, CH will require a minimum cash infusion of \$750,000 to cover operating costs and its short-term obligations. **Accordingly, readers should be aware of the going concern qualification by referring to Note 1 of the Company's audited financial statements as of and for the year ended May 31, 2018.**

**SELECTED ANNUAL INFORMATION**

As of June 1, 2017 and continuing to the date of this MD&A, the Company's primary operational subsidiary, CH, consists of two primary operating divisions: Omega Technology Solutions Inc. ("Omega") and Knowledge Capital Alliance Inc. ("KCA"), which are wholly owned subsidiaries of CH. The Company

entered into a settlement agreement wherein by way of mutual release the Company re-conveyed the assets and liabilities of its Titan Division to Titan Health Management Solutions Inc. and discontinued the Titan division's operations as of May 31, 2017.

Omega's positioning in the revenue cycle market and management's strategic plan for growing Omega and the anticipated results of the strategic plan are discussed elsewhere in this MD&A. In addition, KCA's positioning as a consultant to and provider of a dashboard software package to public health agencies and the results of the strategic plan are discussed elsewhere in this MD&A. With the divestiture of the Titan division, all capital resources allocated to CH will be directed towards Omega and KCA operational improvements.



### Summary Results of Operations for the year ended May 31, 2018 by Division

|                        | Omega            | KCA            | Certive          | Total            |
|------------------------|------------------|----------------|------------------|------------------|
| <b>Revenues</b>        | \$1,144,725      | \$291,510      | \$ 0             | \$1,436,235      |
| <b>Operating Costs</b> | <u>892,895</u>   | <u>387,361</u> | 0                | <u>1,280,256</u> |
| <b>Gross Margin</b>    | 251,830          | (95,851)       | 0                | 155,979          |
| <b>Expenses</b>        | <u>1,095,342</u> | <u>66,600</u>  | <u>4,157,965</u> | <u>5,319,907</u> |
| <b>Net Loss</b>        | \$(843,512)      | \$(162,451)    | \$(4,157,965)    | \$(5,163,928)    |

The Company has utilized fiscal year 2018 to accomplish several milestones which are not reflected in the financial performance of the Company at the date of this MD&A. These initiatives are associated with a completing a market and product situational analysis and completing a product plan and go-to-market strategy leveraging the Company's competitive advantages and strong market presence to drive near-term revenue. The Company implemented specific cost containment measures both at the operational level and corporate level.

## **Summary Three Year Consolidated Financial Comparison**

|   | Year ended    |               |               |
|---|---------------|---------------|---------------|
|   | May 31, 2018  | May 31, 2017  | May 31, 2016  |
| Total Revenue                             | \$1,436,235   | \$1,716,666   | \$5,634,770   |
| Expenses                                  | \$6,600,163   | \$5,457,781   | \$11,370,457  |
| Net loss                                  | (\$5,163,928) | (\$3,741,115) | (\$5,735,687) |
| Total assets                              | \$1,262,367   | \$2,939,918   | \$5,879,499   |
| Total long-term liabilities               | \$739,170     | \$268,707     | \$--          |
| Net loss per share<br>(basic and diluted) | (\$0.07)      | (\$0.05)      | (\$0.11)      |

As noted elsewhere in this MD&A the results of operations for the Titan Division have been reported in the Statements of Comprehensive Loss in aggregate as Discontinued Operations. The impact on revenue in the above schedule where \$3,787,947 of Titan revenue for the year ended May 31, 2017 has been reflected in Discontinued Operations.

## **SUMMARY OF QUARTERLY RESULTS**

|  | Three months ended |                      |                      |                    |
|--|--------------------|----------------------|----------------------|--------------------|
|  | May 31,<br>2018    | February 28,<br>2018 | November 30,<br>2017 | August 31,<br>2017 |
| Total Revenue                                    | \$197,629          | \$353,653            | \$447,392            | \$437,561          |
| Expenses   | \$3,010,581        | \$900,288            | \$1,177,161          | \$1,512,133        |
| Net loss   | (\$2,812,952)      | (\$546,635)          | (\$729,769)          | (\$1,074,572)      |
| Net loss per share and diluted loss<br>per share | (0.04)             | (\$0.01)             | (\$0.01)             | (\$0.01)           |

|  | Three months ended |                      |                      |                    |
|--|--------------------|----------------------|----------------------|--------------------|
|  | May 31,<br>2017    | February 28,<br>2017 | November 30,<br>2016 | August 31,<br>2016 |
| Total Revenue                                    | \$1,354,685        | \$1,259,820          | \$ 1,373,808         | \$ 1,516,300       |
| Expenses   | \$2,762,925        | \$2,001,646          | \$2,534,823          | \$1,946,334        |
| Net loss   | (\$1,408,240)      | (\$741,826)          | (\$1,161,015)        | (\$430,034)        |
| Net loss per share and diluted loss<br>per share | (\$0.02)           | (\$0.01)             | (\$0.02)             | (\$0.01)           |

## **IMPORTANT ACTIONS BY MANAGEMENT AND THE BOARD**

### **Material Events That Occurred During the Year Ended May 31, 2018**

1. On January 22, 2018, the Board of Directors of the Company agreed to accept \$240,000 and 160,000 post-closing consolidated shares of LiteLink Technologies Inc. (formerly AXS Blockchain Solutions Inc. and formerly Canadian Data Preserve Inc.) (“LiteLink”) from third party investors in full satisfaction of an amount owing to the Company by LiteLink, which was a related party because of interlocking Directors. The receivable had previously been written off by the Company due to the fact that it was deemed uncollectable. The \$240,000 was received in January 2018 and the 160,000 post-closing consolidated shares have been issued and are being held in trust for the benefit of the Company.
2. As at May 31, 2018, it was determined by the Company that the ongoing losses of Omega had impaired the amounts of the purchase price originally allocated to the Omega’s Goodwill, Trade Name and Customer List, which are reserved for in their entirety.
3. During the year ended May 31, 2018, the Company and the former owner of Omega negotiated a further amount to be paid in connection with the Company’s acquisition of the Omega assets. The Company has agreed to pay the former owner of Omega \$250,000 on or before October 31, 2018 and an additional \$250,000 from 25% of the quarterly net income of Omega with any unpaid amount due on February 28, 2020.

### **Material Events That Occurred Subsequent to the Year Ended May 31, 2018**

1. During July 2018, the Boards of the Company and CH jointly met twice. The Board of the Company appointed Tom Marreel as a Director to fill a vacancy through to the next Annual General Meeting. Then, the Board of the Company appointed Tom Marreel as Chairman and Acting CEO due to the absence of Mike Bartlett, the Company’s CEO and Chairman because of a serious illness and, sadly, it was announced a week later that he had passed away. The Board of the Company formed an ad hoc Committee to study the Company’s previously announced intention to conduct a Plan of Arrangement and to re-organize its affairs as noted below. The Committee’s intent is to make a recommendation to the Board as to the future of the Plan of Arrangement more fully discussed below. The Board of the Company appointed Tim Hyland and Jack Saltich as Directors. The Board of CH appointed Scott Thomas as a Director. The Board of the Company then formed an Audit Committee and appointed then-Independent Director Tim Hyland, Chair, and Independent Directors Tom Marreel and Jeff Wareham to serve on it along with Director Brian Cameron, then-CFO of the Company.
2. On August 7, 2018, the Boards of the Company and CH jointly met. The Company’s Board approved formation of a Corporate Governance Committee to address, among other things, governance, compensation and nominations. The Board of the Company appointed Director Jack Saltich, Chair, and Directors Tom Marreel, Scott Thomas, Jeff Wareham and Tim Hyland to serve on the Committee. The Board of the Company also approved the recall and cancellation of the previously authorized Preferred Shares for management approved during the prior Annual General Meeting.
4. On August 28, 2018, the Company’s Board met and accepted the resignation of Van Potter from the Boards of the Company and CH and his resignation as CEO of CH. In addition, Brian Cameron was terminated as CFO of the Company – the meeting was then suspended and resumed on September 5, 2018. On September 5, 2018, the Boards of the Company and CH appointed Director Tim Hyland as CFO and Treasurer. In addition, the Boards of the Company and CH appointed Michael Miller Corporate Secretary.

## **Plan of Rehabilitation (“POR”)**

On December 17, 2017, the Company’s Board of Directors approved a POR, which is essentially a detailed turnaround plan to guide management’s efforts to increase sales and reduce expenses and to renew a push for profitability and positive cash flows from operations. In addition, the need to improve the Board’s own governance and oversight of management was identified from this internal review. The POR documented the results of the internal review of the Company and identified a number of deficiencies paraphrased as follows:

1. The Company’s operating subsidiaries are not profitable and have negative cash flows.
2. The Company’s current overhead is considered high in relation to the size and scope of the Company.
3. The Company incurred between \$400,000 and \$600,000 of expenses over the years on behalf of a related party company and the receivable for their reimbursement was deemed uncollectible and fully reserved for.
4. The Company has failed to submit more than \$300,000 of payroll withholdings to the IRS due to the shortfall in working capital
5. The Company and its operating subsidiaries continue to issue new convertible debt, sometimes with warrants, to fund its working capital needs and some of the past issuances are in default or past due.
6. For many reasons, the Board must be re-positioned to improve its governance of management’s actions and the Company.

The POR’s recommended plan for improvement includes action items paraphrased as follows:

1. The Company is now making progress on reducing operating expenses and general overhead expenses by reducing executive management salaries, eliminating Directors’ fees, review of the pay plans of the operating subsidiaries and implementing an incentive compensation plan.
2. Restructuring the Company’s governance and to obtain Board approval for terms and amounts of new debt issues, advances and loans, scheduling regular quarterly Board meetings, review and approving related party transactions, establishing an Audit Committee and a Corporate Governance Committee, seeking truly independent Directors and ensuring that the corporate minute book reflects all the Board’s actions.
3. Conduct an aggressive investor relations communication plan.
4. Develop a strategic plan to reduce the amount of debt.
5. Review and ensure accuracy of public announcements and filings.
6. Restructure the Board of the Company’s operational subsidiary, Certive Health Inc.
7. Resolve the past due convertible debt and other notes, accounts payables and accrued liabilities and disputed payables with vendors and consultants.

8. Develop a plan to conduct strategic relationships.
9. Develop a plan to promote Certive's branding and imaging to increase sales.

Since December 2017, management and the Board has been actively implementing many of these action items and continues to believe in their relevance and importance for the turnaround of the Company. Elsewhere in this MD&A are more thorough descriptions of the 2018-2019 Strategic Plan of the Company. In addition, please continue reading the MD&A section on Important Actions by management and the Company's Board.

### **Plan of Arrangement ("POA")**

On April 5, 2018, the Company announced that the Board of Directors had approved in principle conducting a POA that would among other matters, subject to regulatory and shareholder approval, result in Certive transitioning to an Investment Issuer from a Venture Issuer. In connection with the POA, the Company may spin out several corporations that could become reporting issuers in Canada and may seek to list their shares on the Canadian Securities Exchange (the "Exchange").

One of the spinout companies could acquire the Company's current wholly-owned subsidiary CH, enabling CH to attract additional capital from within the United States.

The primary objectives in conducting the POA are summarized as follows;

1. To divest via spinout, CH, a wholly-owned subsidiary.
2. To settle all convertible debt currently in the Company.
3. To increase shareholder value by providing to the Company's shareholders, shares in a number of proposed spinoffs with each spinoff completing its own financing including that of CH.
4. To re-qualify the Company as an Investment Issuer with \$2 million in funding.

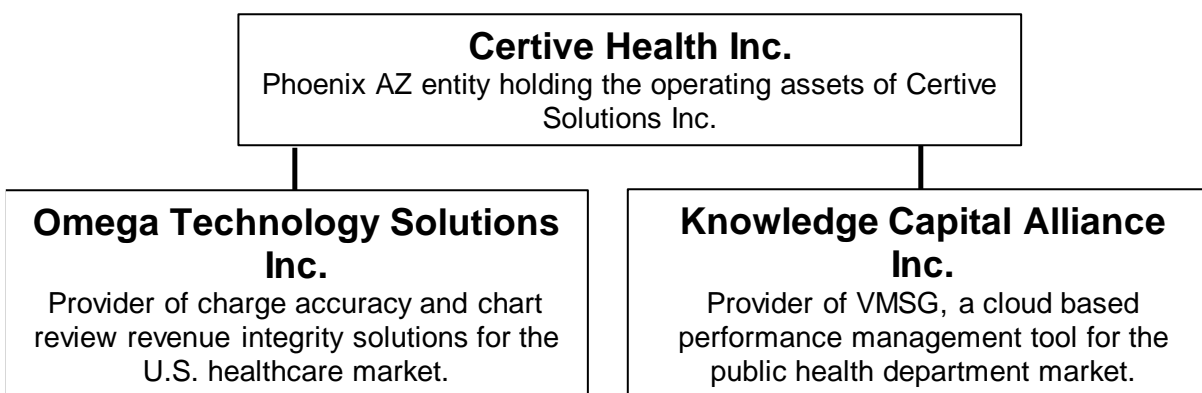
All shareholders of the Company, upon completion of a POA would retain their original ownership in the Company and have mirror image ownership in all of the spun-out companies at no additional cost to the shareholders.

The POA process remains in a preliminary status at the date of this MD&A. There is no guarantee the Company will proceed forward on the POA and no action has been taken to date. In fact, as noted above, on July 19, 2018, the Company's Board formed an ad hoc committee to study the effects of the POA and to make a recommendation to the Company's Board regarding its future. The ad hoc committee is chaired by Director Wareham and includes Directors Thomas and Hyland.

## **THE BUSINESS OF CERTIVE HEALTH INC.**

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

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



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

## **DISCUSSION OF THE OPERATIONS OF CERTIVE HEALTH INC.**

### **Certive Health Inc. Corporate Management and Governance**

During this reporting period, up to and including the date of this MD&A, CH, with the approval of the Company's Board, appointed several new members to the CH Board of Directors following Brian Cameron's resignation from the CH Board. In an attempt to improve the direction and support in the management of CH, Tom Marreel was appointed Chairman of the Board of CH and Jack Saltich, a former director of the Company, Scott Thomas and Tim Hyland were appointed as Directors of CH. Michael Miller assumed the role of CFO of CH replacing Brian Cameron. On September 5, 2018, Tim Hyland was appointed CFO of CH and Michael Miller became Corporate Secretary and Chief Legal Counsel of CH.

As noted elsewhere in this MD&A, CH has engaged with a seasoned healthcare sales and marketing professional to develop and execute a plan to achieve positive operating cash flows that could reduce or eliminate the continuing need for the Company to fund CH, the Company's primary operating subsidiary.

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

### **Factors impacting the growth of Certive Health Inc.**

1. CH's near-term organic growth strategy is based upon its ability to aggressively expand its sales and marketing functions and deliver our simple compelling message to the key decision maker in revenue cycle functions at our targeted hospitals. New client onboarding and volume through put are scalable functions that Omega currently possesses. A significant investment in product marketing, market marketing, and sales is current underway.
2. The identification of selected acquisition targets that complement the core business is a key factor that will impact growth. The Company and CH have identified targeted opportunities in the analytics sector of U.S. healthcare that both complement current service offerings or provide the potential create new offerings by combining intrinsic resources.
3. 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.
4. The ability to cross-sell different services between and among the CH's customers resulting from selected acquisitions.
5. Expectations of both divisional profitability and comprehensive corporate profitability for the consolidated enterprise.
6. 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, unless the valuation of the company is not reflective in its public markets.
7. CH must be mindful of a downward move by upper market tier participants who recognize the opportunities in the tier 3 highly fragmented market space.
8. CH must assess the relative risk associated with acquisition size, category of revenue integrity services provided and the need for working capital to support the growth of each acquisition.
9. CH must be mindful and reactive to disruption in the U.S. healthcare markets and target both acquisition opportunities and internal growth with a focus on this disruption to achieve maximum rates of return on internal cash.
10. As CH expands its service offerings, it will need to ensure that there is a constant vigilance over new and changing regulations that will impact the ability to remain compliant.
11. The Company will continue to direct and manage the affairs of CH and its Board if and until any divesture and transition is completed.



## **General History of the Certive Health Inc.**

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

1. In late 2013 and largely due to a market assessment performed by management in the fall of 2013, the Company narrowed its strategic focus to the provider side of the U.S. healthcare industry and specifically to U.S. hospitals, who wrote off between 3% and 15% of their total revenues as denied claims for a variety of reasons.
2. In March 2014, the Company entered in to 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. During the last fiscal quarter of fiscal year 2017, the Company and the Titan principals concluded that the objectives associated with the zero balance business, operated by the Titan principals was incongruent with the long term strategic plan for the Company and accordingly the agreement for the Titan principals to repurchase the assets acquired by the Company was determined to be the most equitable way to minimize the Company's expected future capital commitment to the division and yet not minimize the opportunity for the Titan principals.
3. The acquisition of the assets of Knowledge Capital Alliance Inc. (KCA) closed on August 31, 2014. Certive completed the acquisition of 100 percent of the equity in Knowledge Capital Alliance ("KCA") effective March 13, 2017. This transaction was a restructuring of the asset acquisition of KCA referred to above. It was determined that the acquisition of the equity of KCA will be complementary to the organizational structure of Certive and the KCA brand. The equity of KCA was purchased in consideration for \$72,000 and a total of 1,350,000 common shares of Certive at a deemed value of \$0.30 per share. Certive's guarantee of an outstanding note to a KCA shareholder in the amount of \$256,000 was also forgiven. 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 supports the Company's consultative efforts as it seeks out new lines of business within revenue cycle management of U.S. hospitals. During the past two years, KCA has steadily enhanced its delivery of process management solutions to state and county governments, particularly specializing in business process management for public health-related matters through the implementation of cloud-based applications. This has significantly improved KCA's product offerings to agencies throughout the United States.

During the past year, KCA has been focused on selling its VMSG Dashboard branded performance management system to public health departments in the United States. The VMSG Dashboard is a performance management system designed specifically to assist public health departments in the development, implementation and performance management of the Strategic and Operational Planning process. The Dashboard facilitates quick and accurate planning changes and is designed to allow both internal and external users to keep their plans up-to-date in real time. For public health departments seeking PHAB accreditation, the VMSG Dashboard has been designated as "fully demonstrated" by the Public Health Accreditation Board for Standard 9.1 applicable to most U.S.

public health departments. KCA's customer base has grown from 55 health departments in 17 states to 118 health departments in 25 states during the past year, and the opportunity pipeline has grown significantly. The VMSG Dashboard is a software as a service (SaaS) recurring revenue business model. As new public health units license the VMSG Dashboard, the recurring revenue grows. An additional benefit as SaaS provider is KCA can continuously upgrade its service to all clients, responding quickly to the client's changing needs. The U.S. healthcare market is changing as reform initiatives drive to lower costs, improve outcomes, and improve the general health of the population. U.S. public healthcare departments will work more closely with local care providers which Certive believes will provide opportunities for expanded services for both Certive and KCA. As KCA expands its presence throughout the nation, it is also expanding its presence at major annual conferences such as the National Association of City and County Health Officials which is attended by over 1,300 public health leaders.

4. On July 15, 2015, the Company acquired the assets of Omega Technology Solutions LLC (Omega). Based on a recent amendment to the original purchase agreement, in summary, Omega was acquired for \$700,000 of which \$500,000 remains payable and for 12,633,334 shares of the Company's common stock after conversion of a note and achieving an agreed upon earn-out, of which only 1,333,334 common shares have been issued to date. With the acquisition of Omega, the Company has a technology base and the ability to provide charge capture services on a retrospective and prospective basis. There is a total of 1,500 targeted hospital in the U.S. that have applicability to the service offering. Each target has been assessed based upon Omega's proven assessment analytics using commercially available and reported data on the hospital targets on AHD. Omega has made significant investments in revenue integrity analytics technology that is the foundation for its delivery of revenue services and cloud products that identify revenue opportunities and address compliance issues. Omega's solutions deliver real-time analysis and 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 collects zero balance claims from the hospital system up to 2 years. Those claims are compared to the patients' medical record by our RN auditors. The auditor then looks for missing charges, coding or compliance errors. Omega's in-house billing department then directly bills the insurance company based on the findings (unless the hospital system prefers to do their own billing). The hospital system receives payment directly on the billed charges. Omega performs follow-up and dispute resolution for claims submitted. In addition to finding revenue, Omega routinely educates the hospital and its staff on its findings. Omega provides detailed monthly reports of its findings in conjunction with periodic meetings to discuss specific patterns and problems, establishing a process to prevent losses from occurring in the future. Omega goes back two years with its clients in the auditing process and prepares them for their future through preventative training and education. The Lost Charge Recovery system has no upfront cost, no risk and only an upside potential for the hospital. Due to ongoing losses at Omega, as at May 31, 2018, it was determined that the allocated purchase price to Omega's Customer List, Trade Name, and Goodwill were all impaired and such costs were written off in their entirety as more fully discussed elsewhere in this MD&A.

### **Certive Health Inc.'s Advisory Council**

The Company has assembled an outstanding Advisory Council consisting of experienced senior healthcare executives who have built, lead, and sold significant enterprises in the healthcare market, and possess broad complimentary skills. The Advisory Council, their network of executive leads, subject matter experts, and the extended network of experienced healthcare talent at the "doer" level is valuable asset for Certive.



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

1. Dr. Arthur Pelberg, an internal medicine specialist, served as the President and Chief Medical Officer of Schaller Anderson from 1999 to 2007 and brings to the Company rich clinical and senior level healthcare operations experience.
2. Jack Chapman, a nationally recognized Revenue Cycle Management expert and consultation to the healthcare provider community.
3. Fred Hatfield, formerly CEO and COO of Aetna Medicaid and head of acquisition integration for Schaller Anderson.
4. Steve Schramm, the founder of Optumas, an actuarial analysis organization for large healthcare purchasers. Mr. Schramm's background brings to Certive the knowledge to use sophisticated actuarial and analytics toolsets that derive meaningful provide its customers with meaningful information health data.
5. Jeffrey Benton is currently the managing director of Fairfield Advisors, a hedge fund specializing in market structure arbitrage and volatility strategies. Mr. Benton brings to the Advisory Council years of experience in the translation of business operating strategies to investment information and tools that will, in Certive's case, serve to better enable effective investor relations communications. Mr. Benton is a distinguished and highly regarded member of the U.S. investment community, having served on a number of New York Stock Exchange committees over the years. Mr. Benton is a former Governor of the New York Stock Exchange.
6. Don Gilbert has extensive background in healthcare, particularly in the State of Texas where he served as Secretary of Health and Human Services under Governor George W. Bush.
7. Michael Marshall, CEO of e5 Workflow Inc. provides to Certive, operational capabilities in revenue cycle management with hands on expertise in all aspects of this industry.

8. Bob Uxa is an accomplished professional with over 35 years of experience, internationally, in the aluminum industry where he developed and implemented new strategic plans for commodity marketing, procurement and risk management for one of the world's largest brewers and recyclers. Mr. Uxa pioneered commodity sourcing from Russia, India, the Middle East and South America for U.S. Manufacturers and was at the leading edge of product line expansion for the aluminum industry.
9. William Dagher is a healthcare professional and revenue cycle expert having led the clearinghouse business for Per Se that was sold to McKesson for \$1.8B in 2006.

Members of the Advisory Council have all invested in Certive and are committed to assisting in charting its course through growth by acquisition and organically.

## **OPERATIONS OF OMEGA**

### **Description of Omega's Industry**

#### REVENUE CYCLE MANAGEMENT FOR HOSPITALS – A DEFINITION

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

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

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

### **Description of Omega's Business**

The U.S. healthcare market is a \$3.7T industry with over \$900B of that being waste and inefficiency and \$176B of that alone coming from the revenue cycle area. Using conservative metrics, the opportunity in the missing charge segment of healthcare is very large. Even though hospitals have benefitted from a cost focus over the past few years in terms of having healthy margins despite cuts to reimbursement, revenue cycle performance has lagged across key areas. Average hospital revenue cycles are losing roughly \$22 million to missed revenue capture thanks to cost focus. When it comes to net days in accounts receivable, the overall cost to collect has gotten worse by 70 basis points of net patient revenue from 2011 to 2015.

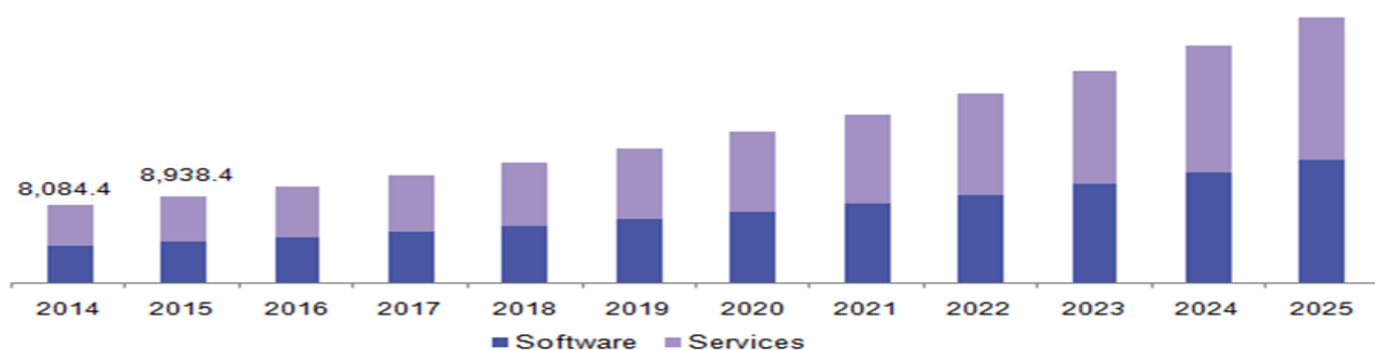
Four primary market forces are driving these negative trends:

1. Too many hospitals build centralized revenue cycle operations but don't make any improvements beyond that, focusing on their own internal "unit". This integration should include a value-added shared services organization that provides a common business intelligence platform across entities and service lines system-wide, the ability to generate a single patient bill for all physician and hospital services, and the use of integrated coders to drive further understanding and coding accuracy." Instead of looking at how to branch out into other focus areas within the hospital to help make improvements.
2. Increasing patient obligations are squashing coverage gains, because as coverage has increased, so too has bad debt.
3. Commercial payers' scrutiny of claims has significantly increased. Hospitals are losing an average of five percentage points of their margins to underpayments, denials, and contract negotiations. Payers have the advantage in terms of data and insight as their client base is so much broader.
4. While major surgeries and procedures are often charged automatically based upon time, secondary level, less invasive surgeries are charged separately. Separately chargeable procedures are often missed in these setting often being missed.

Additional secondary examples of missed charges are that administration of pharmaceutical guidelines are often unclear and can result in significant errors and omissions. Interventional cardiology coding requires significant knowledge among a shifting landscape, implantables remain to be paid via favorable carve-out logic and ironically maintain subject to manual charge capture processes. Complex drug billing guidelines often result in inaccurate charging.

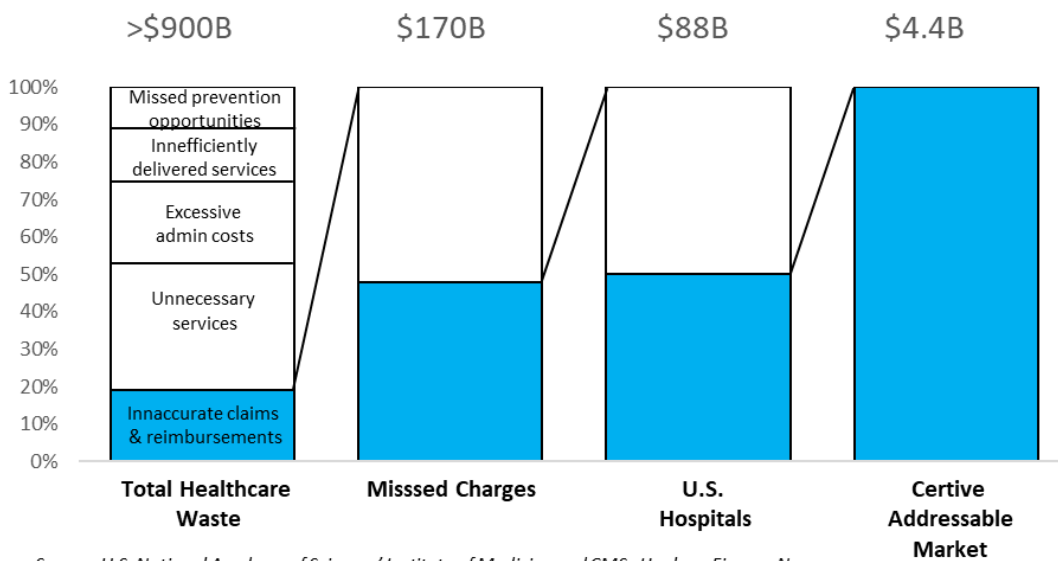
Under continuing healthcare reform, reimbursement models will continue to change from traditional fee-for-service (FFS) models to Outcome based. The first model has proven to be complex from a vendor point of view and the second is even more complex from a vendor technology point of view which will have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

### Overall Revenue Integrity Market Size



The single greatest factor that has contributed to underperformance in this business has been a lack of investment and focus on sales and marketing. There are a lot of understandable reasons why the need for a turnaround exists, but none of them are good. That single greatest need will not go unaddressed.

### Market Opportunity Missed Charges



- A** Total waste and inefficiencies in revenue cycle.
- B** \$22M per hospital at 4K hospitals = \$88B TAM in missed charges
- C** Assuming Certive can address just 5% of the TAM, this is a \$4.4B market opportunity.

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

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

Omega specializes in recovering cash for hospitals by auditing patient charts and comparing them to the medical records to identify, audit, bill and collect charges for items and services performed but never billed to the insurance carriers. Certive's proprietary Revenue Integrity Analytics process is a proprietary combination of automation and revenue integrity analytics and skilled clinician that delivers superior results vs. our competitors. Certive's has over 26 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.

## **Competitive Landscape**

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

1. Hospital In-Sourcing: This is the status quo. Hospitals do not have the internal resources and efficiencies to do this alone and have long relied on vendor relationships to help manage through the complex reimbursement and revenue cycle process and this will not change. Increasing complexities, reduced reimbursement, focus on outcomes, rising costs of care, consolidation, and changes in the regulatory environment have resulted in increased financial pressure on the hospitals and the need for improved efficiency. All this results in an increased market opportunity for vendors who can deliver.
2. Indirect Technology Vendors: Several vendors such as MedAssets, Craneware, etc. provide technology solutions that attempt to solve the hospitals problems. Hospitals, however, are resistant to further reinvestment in more "systems" and need to have their problems solved, when in fact, these solutions 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. Several data analytics have added healthcare solutions based on their platforms as well.

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. Omega on the other hand, is a service company that can quickly adapt to change and identify risk management solutions that become useful "extenders" to the current services offering of these providers. Certive then becomes a very important piece of the puzzle to these competitors who are ill equipped to move quickly. Certive, therefore, treats these companies as a source of business, NOT direct competition.

3. Direct Service Competitors:

Tier 1 players such as Accenture provide comprehensive services to the industry with a "big" service model. They are limited in number. These companies often are engaged with the large hospital systems and are subject to the same "big" inflexibility of larger corporations, are costly, and do not address the core leakage issue leaving white spaces and large revenue leaking problems un-addressed.

Tier 2 players are medium sized players owned by private equity that are built to sell and have no domain capacity other than what they bought and little capacity to strategically think quickly. There are a handful of these players. Private equity is attracted to this space, which validates to some extent the opportunity, but private equity firms need to deploy large sums of capital which often results in ineffective returns on cash invested. Some of these companies could become larger future acquisition targets for Certive.

Tier 3 players that are part of the fragmented nature of this tier. 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.

## **Service Lines**

### **OMEGA'S REVENUE ANALYTICS PLATFORM**

Revenue Integrity Analytics provides retrospective claim audit and missed charge services using a proprietary process that utilizes a unique combination of revenue integrity analytics and enabling workflow technology to ensure that every claim that has the potential to yield additional revenue is properly audited and that each claim is audited for accuracy and errors, thus yielding superior returns for our clients. Omega's unique Revenue Integrity Analytics platform captures more missed charges, underpayments and claim errors than any competitor on the market. This market is large, and we believe we can drive significant revenue and margins that will ultimately enable Omega to begin investing in other areas. Balancing these business objectives will be led by one of Omega's Advisory Council members who has over 28 years' experience in healthcare and is founder and owner of a well-known healthcare analytics and actuarial services company.

With strong growth and cash generations the Company then can focus on other revenue cycle areas and risk management related to future reimbursement models being driven by CMS models.

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

## **2018- 2019 OMEGA - STRATEGIC PLAN OVERVIEW**

### **Focus**

While Omega has a preponderance of new product, service, and technology capabilities with some that play into the future model of healthcare, a strategic decision has been made to focus almost exclusively on growing the missed or “lost” charge and underpaid charge segments based on our Revenue Integrity Analytics revenue



integrity analytics platform. This strategic decision was based on the fact that Omega possesses unique capabilities and intellectual property that provides a relatively low time to market and competitive advantage for these services and therefore the opportunity for near term margins vs. other revenue cycle services, that combined with a ripe market situation as a result of many factors leads management to believe that we have an opportunity to significant revenue into a scalable business model that will yield significant cash generation for the company.

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

### **Charge Accuracy Audits**

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

### **Claim Audit and Recovery**

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

## **Product marketing and service line enhancements**

Using contemporary product marketing concepts CH will evaluate, plan, and implement client desired features to our Revenue Integrity Analytics platform making it easier to use, integrate with their current process, and deliver BI dashboards basis in a “light” user interface model. Our goal is to make the best results deliver service line the best out of the box user experience line.

## **Marketing**

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

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

## **Sales**

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

1. Omega has a total of 11 Regional Representatives in its business development efforts. These representatives come from a varied background, but all share the ability to penetrate the target

client and engage Omega in discussions. Some representatives are former politician, some are former executives from within the industry, but all have demonstrated the ability to connect with the client.

2. Know the technical details of what we can do, know the competitors, know the client from executives to financial statistics and payor mix, and position and enable Certive to differentiate and win on a client by client basis.
3. Use innovation discussions regarding future client needs and new product/services offerings with clients as market research and a reason to call. But do not represent that we have them until we have made the decision to invest and are in a position to engage.
4. Omega has C-Level contacts in hospitals and systems (i.e. Advisory Council & Regional Reps).
5. Channel partners (Jase, SilkRoad, Consultancies, conversion consultants). Channel partners know the clients and their problems.
6. White label for other rev cycle providers, Experian, TransUnion, Change, Craneware, Conifer, SSI, Navicare, Ability, Parallon, etc. OR Tier 2 partnerships

### **Operations**

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

### **Investor Relations**

1. Establish proper presence in the digital market - webinars, blogs, and targeted articles directed at the healthcare community also get picked up by news services. Awareness in the market we preserve AND awareness amongst our investment community. This marketing position should establish and can be filled part-time to start.
2. Broaden news distribution in the US markets using higher quality newswires
3. More and steady flow of positive news
4. Attending microcap conference when invited and eventually presenting at several

5. Based on our ability to demonstrate performance, establish a proper IR program to expand our shareholder base

## **KCA OPERATIONS**

### **Description of KCA's VMSG Market Opportunity**

The VMSG Dashboard Performance Management System (the Dashboard) is a cloud-based, multi-user application designed to develop and manage strategic and operational plans for each program, office, and division in a public health department. The Dashboard was developed for and in cooperation with the Maricopa County Arizona Department of Public Health. Maricopa County is the 3rd largest county in the U.S. with a population of up to 4.2 million. The Dashboard offers a way for all staff to be involved in strategic and operational planning and organizational success. The Dashboard provides linkage between operational plan elements across all workgroups so that one can see connections within the organizational structure of the department. The system also serves as an interactive partner tracking tool and provides a simple and clear snapshot of the work of the department at any given point in time.

There are 2800 public health departments of varying size across the U.S. The traditional health departments role was to aggregate census data, track trends of diseases, plan and train against potential terrorist threats, manage flu vaccine programs, and warn against threats among behaviors and epidemics and substance abuse. With the preponderance of almost real-time data on the horizon, the role of the public health departments is changing.

Certive's investment thesis in 2015 when we purchased KCA and its VMSG solution was that healthcare is local and there will be a convergence between public and private health. Even today in a world without interoperability certain types of diseases or trends to be reported, often without dated information. With interoperability not only are these data trends enabled to be reported on a real time basis, but they can be mandated. There is a market developing of data aggregators that will sell redacted data to entities in healthcare that can turn that data into actionable insight.

The initial goal of the business of the VMSG dashboard business was to capture critical mass in the number of clients it has, each of them being referenceable, leading to further adoptions, achieve profitability, reinvest, repeat. Public health departments are federally funded. In order to receive funds, each health department must have a strategic plan and must be able to prove that they are executing against it. VMSG meets Public Health Accreditation Board (PHAB) requirement 9.1 to implement a measurable, ongoing performance management system throughout the department. So it's a system that public health agencies must have. It is simple and easy to implement and maintain, plus meets PHAB accreditation. It is also simple and easy to deploy, has over 118 existing clients, which is double the number of clients year over year. Given the current model we need to get to approximately 200 clients to break even. It is worthy of noting however that SaaS business model company while the margins are in the 90% range, the amount spent is almost totally on sales and marketing. So at this point in time with the very limited resources we have performed very well. The problem is that cash is in short supply. Given that by far the #1 critical is selling and marketing we MUST find ways to accelerate the process. Scaling bodies will work but provide diminish returns push out profitability. So its marketing, digital marketing, social media, users conference, anything that gets the word out and engages potential clients in the discussion. The good news is that this is not new territory. It just needs to be done. Adding value as mentioned before through cross selling and integrating with other services needs to be well thought out and properly planned and resources. It is a moot point if we don't deliver today. The good news is that y/y results demonstrate we can.

## **Competitive Landscape and Market Trends**

The market is small and there is relatively little competition except for one, who is coming in at the higher end of the price range which makes it a difficult sell to public entities. The threat is that the barriers to entry are relatively low, all you need is subject matter expertise and access to platform and some time. We have clearly established the lead position and have a good toe-hold in the user base. With a defined TAM of \$24M the business alone is not a large opportunity until you consider the value that can be added once you have established ownership of the market, and can begin moving up the value chain.

## **Operations**

KCA today employs a total of three employees. The founder and President acts as its sole developer, key prospect demonstration leader and evangelist. The product is developed on FileMaker which meets all of its requirements today.

Cash flow - managing accounts receivable (AR) from government entities has proven challenging and must be addressed. It's the Company's cash and we need to collect it.

Entering this business has been opportunistic, has not distracted us from our core, and appears to be playing out as a possible good value add for our clients and for the company.

## **2018 – 2019 KCA - STRATEGIC PLAN OVERVIEW**

### **Focus**

New client acquisition.

### **Product Marketing**

The VMSG product is continuously upgraded through client suggestions and add-ons.

### **Marketing**

KCA will market both its VMSG line of services through multiple channels to create awareness and brand identity with supporting data and documentation for every channel pursued, CMS and follow up to close. Our major marketing tools will be our digital platform along with more traditional marketing through speaking engagement at conferences reference articles and referrals, etc. KCA will maintain its own brand identity its affiliation with Certive Health will remain. Remember that digital market platforms directed at the markets we serve, serve two purposes. Awareness in the market we preserve AND awareness amongst our investment community.

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

## 7. Email marketing

### **Sales**

Rapid client acquisition is the critical issue. The critical issue in the selling process is identifying the decision maker within the health department and then presenting and getting their buy-in. The current process for selling is to make that identification and turn it over to our National Accounts Manager, arrange for a demonstration to key members of the health department by KCA's founder, then push for the close. The close ratio is 80%.

Identify target and gain commitment for demonstration.

Focus some energy near term and identify ways to bring in larger blocks of clients to speed up time to profitability.

### **Operations**

Add coding capability as a back up to our single coder and to document our code and to free up our founder for a more aggressive campaign.

## **FINANCIAL COMPARISON TO PRIOR YEAR**

### **Financial Position as of May 31, 2018 compared to May 31, 2017**

The following discussion of the Company's financial position is based on the Company's consolidated statement of financial position as of May 31, 2018 and May 31, 2017.

#### **Current Assets**

As of May 31, 2018, the Company's current assets were as follows: cash balance of \$20,141 compared to \$138,258 at the prior year-end; marketable securities of \$7,474 compared to \$Nil at the prior year-end; accounts receivable of \$345,964 compared to \$501,322 at the prior year-end; prepayment of \$Nil compared to \$16,597 at the prior year-end; and total current assets of \$373,579 compared to \$656,177 at the prior year-end. The decrease in total current assets of \$282,598 or 43% was primarily due to the decrease in accounts receivable due to a reduction of the estimated work in progress as of May 31, 2018 compared to the prior year-end, which is consistent with the decrease in Omega's revenues from the prior period.

#### **Non-current Assets**

As of May 31, 2018, the Company's non-current assets were \$888,788 compared to \$2,100,855 at the prior year-end, a decrease of \$1,212,067 or 58% from the prior year-end due primarily to the results of the Company's assessment of impairment of the carrying value of certain intangible assets. Omega and KCA are each considered to be separate cash generating units ("CGU") of the Company. It was determined that Omega's intangible assets, Goodwill, Trade Name and Customer Lists were impaired as of May 31, 2018. See below for further discussion of Omega's impairment.

### Impairment of Goodwill

During the year ended May 31, 2016, the Company completed the acquisition of Omega Technology Solutions LLC, (“Omega”). In connection with the acquisition of Omega, the Company recorded goodwill of \$465,000. As of May 31, 2018, management of the Company assessed Omega (which it considers a CGU separate from KCA) for impairment and determined that it is not recoverable. As a result, the Company recorded an impairment on goodwill of \$465,000. Impairment losses relating to goodwill cannot be reversed in future years.

### Impairment of Trade Name

During the year ended May 31, 2016, in connection with the acquisition of Omega, the Company recorded \$200,000 for the trade name acquired from Omega. As of May 31, 2018, management of the Company assessed Omega (which it considers a separate CGU from KCA) for impairment and determined that it is not recoverable. As a result, the Company recorded an impairment on the trade name of \$200,000. Impairment losses related to the trade name can be reversed in future years.

### Impairment of Customer List

During the year ended May 31, 2016, in connection with the acquisition of Omega, the Company recorded \$480,000 for the customer lists acquired from Omega. As of May 31, 2018, management of the Company assessed Omega (which it considers to be a separate GCU from KCA) for impairment and determined an impairment on the customer list of \$480,000. Impairment losses related to the customer lists can be reversed in future years.

### Discontinued Operations

There are no assets held for disposition as of May 31, 2018. During the year ended May 31, 2018, the Company entered into a settlement agreement and mutual release (the “Settlement Agreement”) with Titan. This Settlement Agreement constituted a discontinued operation of the Company as of May 31, 2017. As a result, all of the assets and liabilities of Titan as of May 31, 2017 and for the year then ended were removed from the consolidated financial statements of the Company. The Company valued its investment in Titan as of May 31, 2017 at \$182,886, being the value of the shares to be returned and the cash to be acquired upon final settlement.

### Current Liabilities

As of May 31, 2018, the Company’s current liabilities were \$5,687,656 compared to \$3,096,409 at the prior year-end. The increase of \$2,591,247 or 84% is due to several factors as follows:

As of May 31, 2018, the Company’s accounts payable and accrued liabilities of \$2,673,181 compared to \$1,370,673 at the prior year-end, an increase of \$1,302,508 or 95% due primarily to unpaid payroll withholding taxes, amounts due related parties such as current and former officers & directors, advisory council members and certain consultants (some of which continue to accrue), and certain outside professionals such as the Company’s auditors, legal counsel and securities consultants (some of which continue to accrue) and interest on convertible notes.

As of May 31, 2018, the Company’s deferred revenue of \$98,007 compared to \$Nil at prior year-end, an increase of \$98,007 due primarily to the Company’s decision to recognize KCA’s revenue over the length of the software user license, which is typically 12-months creating unearned income as of May 31, 2018.

As of May 31, 2018, the current portion of the Company's convertible debt of \$2,527,142 compared to \$1,428,249 at the prior year-end, an increase of \$1,098,893 or 77% due primarily to the issuance of more convertible debt during the year ended May 31, 2018 to cover working capital needs of the Company. The amount of convertible debt issued is adjusted for IFRS requirements to segregate the gross amount of the debt between equity and liabilities of the Company. Generally, debt convertible into common shares of the Company are first adjusted to reflect the present value of the debt and the difference between the present value of such debt and the face of the debt becomes the segregated allocation between equity and liabilities of the Company. Warrants issued in connection with the convertible debt are treated for the purpose of the allocation as a transaction cost and allocated between equity and debt on the same basis. Please see the table disclosure in Note 12 of the financial statements for further information.

As of May 31, 2018, the Company's short-term loans payable of \$139,326 compared to \$297,487 at the prior year-end, a decrease of \$158,161 due primarily to certain short-term notes being refinanced with convertible notes.

As of May 31, 2018, the Company's note payable – current portion of \$250,000 compared to \$Nil at prior year-end is due to a renegotiation of the acquisition of Omega's assets. It was agreed in March 2018 to pay the former owner of Omega an additional \$500,000, payable \$250,000 by October 31, 2018 and the remaining \$250,000 from 25% of the quarterly net income of Omega with any balance due on February 28, 2020.

#### Non-current Liabilities

As of May 31, 2018, the Company's derivative liability of \$489,170 compared to \$268,707 at prior year-end, an increase of \$220,463 or 82% due primarily to and increase in the number of non-compensatory share purchase warrants and convertible notes issued with an exercise price or a conversion price in CDN Dollars, which differs from the functional currency of the Company – that being US Dollars. The Company's derivative liability consists of the fair value of these warrants and convertible notes valued using the Black Scholes option pricing model with a weighted average expected volatility of 163.99%, discount rate of 0.69%, expected life of 1.65 years, and a dividend rate of 0%.

As of May 31, 2018, the Company's note payable – long term portion of \$250,000 compared to \$Nil at prior year-end is due to a renegotiation of the acquisition of Omega's assets as more fully described above under Current Liabilities.

#### Shareholders' Equity (Deficit)

As of May 31, 2018, the Company's shareholders' deficit of (\$5,164,459) compared to (\$425,198) at prior year end is an increased deficit of \$4,739,261 due primarily to the Company's \$5,163,928 loss and comprehensive loss for the year ended May 31, 2018.

#### Working Capital Deficiency

As of May 31, 2018, the Company's working capital deficiency of \$5,314,077 (which is the amount the Company's current liabilities of \$5,687,656 exceed the Company's current assets of \$373,579) compared to a working capital deficiency of \$2,440,232 at prior year-end is an increased working capital deficiency of \$2,873,845 or 118% resulting from ongoing operating losses of Omega and corporate overhead being funded by increasing current liabilities such as: increasing accounts payable and accrued liabilities due service providers (i.e. consultants, auditors, outside legal council, etc.), current and former officers and directors, advisory council members, employees and the IRS for unpaid payroll withholdings; and, increasing short-

term convertible debt and notes payable. However, the Company's management believes that much of the recently issued convertible debt will be converted to common stock due to the relatively low conversion price per share and that accounts payable and accrued liabilities will be negotiated settlements with some negotiated conversions to common stock, too. (See adjusted working capital schedule.)

### **Financial Results for the year ended May 31, 2018 compared to the prior period**

The following discussion of the Company's results of operations is based on the Company's consolidated financial statements for the years ended May 31, 2018 and May 31, 2017, which are reported on a comparative basis in all material respects.

#### **Revenue**

For the year ended May 31, 2018, the Company's revenues of \$1,436,235 as compared to \$1,716,666 for the prior period, a decrease of \$280,431 or 16% due primarily to the following fluctuations:

**Omega's Chagemaster Revenue:** For the year ended May 31, 2018, Omega's revenues of \$1,144,725 as compared to \$1,338,955 for the prior period, a decrease of \$194,230 or 14% due primarily to the decrease of current customers caused by the maturing of the accounts. Revenue declines because the Company provides assistance in correcting procedures, which can result in fewer loss charges. While fluctuations in revenue would traditionally be considered normal, CH has a continuing need to increase sales volumes generally. This will be accomplished in part by better connections with our customers and identifying needs and opportunities for which we have the capacity to deliver. CH will become much more aggressive in seeking ancillary revenue opportunities that are both viable and available within our existing customer base while seeking similar opportunities with potential new customers as well.

**KCA's Consulting Revenue:** For the year ended May 31, 2018, KCA's consulting revenues of \$213,171 as compared to \$250,609 for the prior period, a decrease of \$37,438 or 15% due primarily to reduced consulting services provided to Maricopa County and a re-focus on targeting sales efforts to the dashboard product.

**KCA's Dashboard Sales:** For the year ended May 31, 2018, KCA's dashboard sales of \$78,339 compared to \$127,102 for the prior period, a decrease of \$48,763 or 38% due primarily to a number of contracts acquired in the year ended May 31, 2018 spanning over to the next fiscal year. The significance of KCA's dashboard sales is that it represents a transformation from a consulting model business to a software sales model with a dashboard product that is well-respected by public health agencies across the country.

#### **Operating Expenses**

**Commission:** For the year ended May 31, 2018, the Company's commission expense of \$48,297 compared to \$39,962 for the prior period, an increase of \$8,335 or 21% due primarily to an increase in commissions paid to a new KCA sales agent.

**Contractor and consultant fees:** For the year ended May 31, 2018, the Company's contractors and consulting fees of \$262,651 compared to \$228,811 in the prior period, an increase of \$33,840 or 15% due primarily to an increase in contractor and consulting fees related to Omega's use of independent contractors.

**Direct Payroll Costs:** For the year ended May 31, 2018, the Company's direct payroll costs of \$963,828 compared to \$1,153,150 in the prior period, a decrease of \$189,322 or 16% due primarily to an increase in employee turnover and a longer vacancy in the past year.



Operating Expenses: In summary, for the year ended May 31, 2018, the Company's operating costs of \$1,280,256 (representing 89% of the Company's total revenues) compared to \$1,423,658 in the prior period (representing 83% of the Company's total revenues in the prior period).

### **Expenses (General Overhead)**

General Overhead Expenses: For the year ended May 31, 2018, the Company's general overhead expenses of \$3,739,586 compared to \$3,827,359 for the prior period, a decrease of \$87,773 or 2% due primarily to the following:

Advisory Board Fees: For the year ended May 31, 2018, the Company's advisory board fees of \$40,000 as compared to \$130,000 for the prior period, a decrease of \$90,000 or 69% due primarily to lower payment to these advisors as a cost savings measure.

Interest and Bank Charges: For the year ended May 31, 2018, the Company's interest and bank charges of \$448,058 compared to \$483,840 for the prior period, a decrease of \$35,782 or 7% due primarily to certain new debt issuances being used to pay-off certain higher interest debt and to some convertible debt conversions during the year.

Consulting Fees: For the year ended May 31, 2018, the Company's consulting fees of \$445,443 compared to \$470,829 for the prior period, a decrease of \$25,386 or 5% due primarily to an effort to reduce such costs as cost savings efforts.

Corporate Finance Fees: For the year ended May 31, 2018, the Company's corporate finance fees were \$80,300 compared to \$171,150 for the prior period, a decrease of \$90,850 due primarily to fewer introductions to the Company by such finders.

Director's Fees: For the year ended May 31, 2018, the Company's director's fees were \$187,200 compared to \$155,000 for the prior period, an increase of \$32,200 or 21% due primarily to the addition of two new directors in June 2017.

General and Administrative Costs: For the year ended May 31, 2018, the Company's general administrative expenses of \$210,199 compared to \$192,478 for the prior period, an increase of \$17,721 or 9% due primarily to normal fluctuations in such costs.

Investor Relations Fees: For the year ended May 31, 2018, the Company's investor relations fees of \$7,500 compared to \$191,717 for the prior period, a decrease of \$184,217 or 96% due primarily to the Company's suspension of most investor relations activities as a cost savings measure.

Management Fees: For the year ended May 31, 2018, the Company's management fees of \$570,000 compared to \$618,000 for the prior period, a decrease of \$48,000 or 8% due primarily to a reduction of bonuses to senior management executives.

Professional Fees: For the year ended May 31, 2018, the Company's professional fees of \$328,571 compared to \$417,315 for the prior year, a decrease of \$88,744 or 21% due primarily to fee concessions made by certain service providers of professional services.

Rent: For the year ended May 31, 2018, the Company's rent and occupancy costs of \$251,074 as compared to \$250,204 for prior period, an increase of \$870 was negligible.

**Salaries and Wages:** For the year ended May 31, 2018, the Company's salaries and wages of \$788,598 compared to \$685,033 for the prior period, an increase of \$103,565 or 15% due primarily to Omega's senior management compensation increases.

**Sales and Marketing:** For the year ended May 31, 2018, the Company's sales & marketing costs of \$10,910 compared to \$49,535 for the prior period, a decrease of \$38,625 or 78% due primarily to the reduction of a sales and marketing consultant who was on KCA's staff for a portion of the prior period.

**Travel and Promotion:** For the year ended May 31, 2018, the Company's travel and promotion of \$171,180 compared to \$153,910 for the prior period, an increase of \$17,270 or 11% due primarily to travel costs relates to an increase in KCA travel for trade shows and sales meetings.

### **Loss from Operations**

During the year ended May 31, 2018, the Company reported a loss from operations of (\$3,583,607) compared to a loss of (\$3,534,351) for the prior period, an increased loss of (\$49,256) or just 1% was an insignificant overall change from the prior period.

### **Loss and comprehensive loss for the year**

During the year ended May 31, 2018, the Company reported a net loss of (\$5,163,928) or (\$0.07) per basic and diluted income per share based on 78,957,065 weighted average number of common shares compared to a net loss of (\$3,741,115) or (\$0.05) per basic and diluted income per share based on 73,461,641 weighted average number of common shares for the prior period. The increased loss and comprehensive loss of (\$1,422,813) or 38% over the prior period was due primarily to the non-operating expenses incurred during the year ended May 31, 2018, such as the \$1,145,000 write-down of Omega's intangible assets due to impairment and the \$462,535 Omega settlement more fully described elsewhere in this MD&A.

### **FOURTH QUARTER RESULTS OF OPERATIONS – Three Months Ended May 31, 2018:**

For the quarter ended May 31, 2018, the Company recorded revenues of \$197,629. The Company recorded operating expenses of \$211,423 for the quarter ended May 31, 2018, representing an operating loss of (\$13,793) or a 7% operating loss. Overhead expenses totaled \$2,799,158 for the quarter ended May 31, 2018. Comprehensive loss for the three months ended May 31, 2018 was \$2,812,952.

### **ADJUSTED WORKING CAPITAL TABLE as of May 31, 2018**

As of May 31, 2018, the Company had a working capital deficiency of (\$5,314,077). However, there are certain current liabilities that may be converted to equity. Assuming the conversion of convertible debt, certain short-term loans, certain accounts payable and accrued liability, the Company's adjusted working capital deficiency would improve to be a working capital deficiency of (\$1,634,976) as follows:

**Certive Solutions, Inc**  
**Adjusted Working Capital Calculation**  
**May 31, 2018**

| <b>Total Current Assets:</b>                                    |                    |                   |   |                                     |                         |   | <b>\$ 373,579</b> |
|---|--------------------|-------------------|---|-------------------------------------|-------------------------|---|-------------------|
|   | <u>Convertible</u> | <u>Short Term</u> | <u>Accounts Payable &amp; Accrued Liabilities</u> | <u>Note Payable Current Portion</u> | <u>Deferred Revenue</u> | <u>Total Adjusted Current Liabilities</u> |                   |
|   | <u>Debt</u>        | <u>Loans</u>      |   |                                     |                         |   |                   |
| <b>Current Liabilities:</b>                                     | 2,527,142          | 139,326           | 2,673,181   | 250,000                             | 98,007                  | 5,687,656                                 |                   |
| Amounts to be converted:  |                    |                   |   |                                     |                         | -   |                   |
| Convertible Unsecured   | (2,527,142)        |                   |   |                                     |                         | (2,527,142)                               |                   |
| Amounts paid subsequent to year end                             |                    |                   |   |                                     |                         | -   |                   |
| Convertible amounts owing to Directors & Advisory Board Members |                    |                   | (1,126,960)                                       |                                     |                         | (1,126,960)                               |                   |
| Other Convertible Loans   |                    | (25,000)          |   |                                     |                         | (25,000)                                  |                   |
| <b>Total Adjusted Current Liabilities</b>                       | -                  | 114,326           | 1,546,221   | 250,000                             | 98,007                  | 2,008,554                                 |                   |
| <b>Adjusted Working Capital</b>                                 |                    |                   |   |                                     |                         | <b>\$ (1,634,975)</b>                     |                   |

**LIQUIDITY**

1. As at the date of this MD&A, the Company does not have sufficient working capital to cover its operating overhead either corporately or divisionally. Sources of capital are being identified to address working capital needs. Both equity and debt financings are being contemplated as potential sources of working capital. The Company is also contemplating a re-organization plan that may lead to additional sources of financing. In order for the Omega to fully support its operating costs, it must generate a minimum of \$165,000 per month in revenue. Presently, the Omega generates approximately \$95,000 in monthly revenues. With many new revenue categories being identified by management, the near-term working capital problem are correctable. Fluctuations in liquidity will continue as long as the Omega operates at a loss. Reduction in staffing levels and /or modified work schedules are internal means by which the Company will control these variances.
2. The Company has liquidity risk associated with past due and maturing financial instruments. As at May 31, 2018, the Company had a cash balance of \$20,141 and total current liabilities of \$5,687,656, of which \$3,679,102 may be settled for common stock as more fully described in the Adjusted Working Capital Table.
3. The Company's working capital deficiency will be substantially reduced all conversion options and convertible debt and warrants discussed in the MD&A are effected or exercised. The current working capital deficiency is (\$5,314,077) adjusted (\$1,634,967). The Company had to issue more debt to cover the losses that were incurred. There are no balance sheet conditions or income or cash flow items that may materially affect the Company's liquidity other than the ability to generate revenue from existing customer contracts. Readers are directed to Note 1 in the Company's audited annual financial statements for the year ended May 31, 2018 for additional information.
4. The working capital deficiency of (\$5,134,077) and adjusted working capital deficiency of (\$1,634,967) are both serious issues for the Company. Management of the Company does not expect that cash flows for the Company's operations will be sufficient to cover its operating requirements, financial commitments and business development priorities during the next twelve months. The Company will need to obtain further financing in the form of debt, equity or a combination thereof

for the next twelve months to fund operations. There can be no assurance that additional funding will be available to the Company, or, if available, that this funding will be on acceptable terms. If adequate funds are not available, the Company may be required to delay or reduce the scope of its operations.

5. There are currently no defaults or arrears by the Company on dividend payments, lease payments, interest or principal payment on debt, debt covenants, redemption or retraction or sinking fund payments, other than certain convertible notes in the aggregate amount of \$699,060 and certain accounts payable and accrued liabilities are in arrears of
6. The Company has accrued but not paid interest on all of its convertible debt. The terms of agreement with the company's note holders are that interest payments are convertible at the noteholders option into shares at defined prices at the term of the note. Depending on the stock price at the time, the Company anticipates that there may at times be demand for payment of principal and interest rather than opting for conversion to common stock.

## **CAPITAL RESOURCES**

The Company has no planned capital expenditures at the date of this MD&A. The allocation of capital during the following twelve months will be directed towards sales and marketing initiatives that will monetize the infrastructure presently in place and support the operating overheads of the public company.

## **OFF BALANCE SHEET ARRANGEMENTS**

As at May 31, 2018 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 the potential POA described elsewhere within this MD&A.

## **TRANSACTIONS BETWEEN RELATED PARTIES**

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

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

| <b>Name</b>   | <b>Position and nature of</b>                         |
|---|---|
| LiteLink Technologies Inc. (Formerly AXS Blockchain Solutions Inc, and formerly Canadian Data Preserve, Inc.) | Company with common former directors                  |
| Advantive Information Management, Inc.  | Subsidiary  |
| Certive Technologies Arizona Inc.   | Subsidiary  |
| Omega Technology Solutions, LLC   | Company controlled by key management personnel        |
| Titan Health Management Solutions Inc.  | Company controlled by former key management personnel |

|  |   |
|--|---|
| Knowledge Capital Alliance Inc.<br>Bridge Business Development | Company controlled by key management personnel<br>Company controlled by former  |
| MoeVela, LLC   | Company controlled by key management personnel                                  |
| SMA Group, LLC   | Company controlled by key management personnel                                  |
| Miller and Associates Environmental Consultants Inc.           | Company controlled by the corporate secretary                                   |
| Precision Health Systems<br>Tim Hyland                         | Company controlled by key management personnel<br>Director, officer, and former |
| Tom Marreel  | Director, officer, and former advisory board member                             |
| Jeff Wareham   | Director  |
| Jack Saltich   | Director  |
| Scott Thomas   | Director  |
| Brian Cameron  | Director and former officer   |
| Mike Miller  | Corporate secretary   |
| Susan Miller   | Spouse of the corporate   |
| Fredrick Erickson  | Key management personnel  |
| Ann Fierro   | Key management personnel  |
| Timothy Tolchin  | Key management personnel  |
| Van Potter   | Former director and former  |
| Michael Bartlett   | Former director   |
| John Shackleton  | Former director   |
| Edwin Holder   | Former director   |
| Mary Ann Miller  | Former director   |
| Thomas Hoehner   | Former key management   |
| Todd Hisey   | Former key management   |
| Bob Uxa  | Advisory board member   |
| Jack Chapman   | Advisory board member   |

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The amounts due (to) or from the related parties as of May 31, 2018 are as follows:

|   |  | May<br>31,<br>2018 | May 31,<br>2017 |
|---|--|--------------------|-----------------|
|   | <b>Nature of relationship</b>  |                    |                 |
| Accounts payable                        | Directors, key management personnel, and companies controlled by these parties,              | \$ 716,072         | \$ 273,417      |
|   | Former directors, former key management personnel, and companies controlled by these parties | \$ 329,731         | \$ 57,800       |
| Accounts payable                        |  |                    |                 |
| Loans receivable (100% allowance given) | Company controlled by common directors   | \$ -               | \$ (493,770)    |
| Convertible loans – face value          | Directors and CFO  | \$ 207,500         | \$ -            |
| Convertible loans – face value          | Advisory board member  | \$ 125,000         | \$ -            |
| Notes payable                           | Key management personnel   | \$ 500,000         | \$ -            |
| Short-term loans payable                | Key management personnel   | \$ 106,326         | \$ 107,258      |
| Short-term loans payable                | Former director and former officer   | \$ 25,000          | \$ 37,089       |

Unless otherwise noted, amounts due to or from related parties are non-interest bearing with no set terms of repayment.

The Company incurred the following fees and expenses in the normal course of operations in connection with companies owned by key management and directors. Expenses have been measured at the exchange amount which is determined based on actual cost. There is no other remuneration of directors or other members of key management personnel during the years ended May 31, 2018 and 2017.

|  | May 31,<br>2018     | May 31,<br>2017     |
|--|---------------------|---------------------|
| Management fees  | \$ 570,000          | \$ 618,000          |
| Salaries to key management personnel, included in operating costs and expenses | 422,651             | 772,460             |
| Contractors, included in operating costs                                       | 63,916              | -                   |
| Commission, included in operating costs  | 48,297              | -                   |
| Consulting fees  | 174,945             | -                   |
| Directors' fees  | 187,200             | 155,000             |
| Advisory board fees to a former advisory board member, and current director.   | 40,000              | 130,000             |
| Corporate finance fee to an advisory board member, and directors               | 80,300              | -                   |
| <b>Total</b>   | <b>\$ 1,587,309</b> | <b>\$ 1,675,460</b> |

During the year ended May 31, 2018, the Company reached a settlement agreement with LiteLink, whereby the Company received \$240,000 in cash, plus 160,000 shares of LiteLink, valued at \$7,474 as at May 31, 2018, in settlement of all amounts owed to the Company by LiteLink. As a result, the Company recorded a gain on recovery of bad debts of \$236,358 during the year ended May 31, 2018. As at May 31, 2017, the Company had \$493,770 due from LiteLink, for which it had recorded an allowance for the total amount.

## **CONTINGENCIES**

During the year ended May 31, 2017, the Company received correspondence from the Internal Revenue Services (“IRS”) with assessed penalties totaling \$94,217 regarding failure to report ownership of foreign assets. Management believes that all the correct forms were filed with the IRS on time, and has discussed these matters with the IRS. Management is of the opinion that this would be resolved, and that no penalties will be owing. As a result, no liability was recorded on the statement of financial position as at May 31, 2018 and 2017.

During the year ended May 31, 2018, the Company received correspondence from the IRS regarding the Company’s withholding of payroll taxes from its employees that have not been remitted to the IRS. As at May 31, 2018, the Company has fully recorded this obligation of approximately \$325,000 in its payroll liabilities.

## **SUBSEQUENT EVENTS**

1. Subsequent to year end, the Company’s Board of Directors in August 2018, approved the cancellation of a Preferred Stock program for management.
2. Sadly, during July 2018, the Company’s Executive Chairman of the Board and CEO passed away. The Board elected director Tom Marreel to Executive Chairman of the Board and Acting CEO while the Company conducts an executive search for a new CEO.
3. Subsequent to the year ended May 31, 2018, Tim Hyland replaced Brian Cameron as CFO and treasurer, and Mike Miller was appointed as Corporate Secretary.
4. Subsequent to the year ended May 31, 2018, the Company received \$120,000 in short-term demand loans from officers of the Company, bearing simple interest of 12% per annum.
5. Subsequent to the year ended May 31, 2018, the Company issued \$445,000 in convertible debentures, maturing between July 16, 2019 and June 6, 2020. These note bear interest at 8% - 15% per annum.
6. Subsequent to the year ended May 31, 2018, the Company reached a settlement agreement with a vendor, whereby the Company agreed to issue 1,000,000 shares in settlement of all outstanding debt.

## **CONTROLS AND PROCEDURES**

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

### **Internal control over financial reporting**

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

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

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

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



### **Segregation of duties**

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

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

### **Complex and non-routine transactions**

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

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.

The Company’s audited consolidated financial statements as of and for the year ended May 31, 2018 were authorized by the Audit Committee and Board of Directors of the Company on October 9, 2018.

### **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 judgements**

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

### **Critical Judgements**

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

### **Key Sources of Estimation Uncertainty**

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

1. Share-based payments

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

2. Useful lives of property and equipment and intangible assets

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

### 3. Recovery of deferred tax assets

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

### 4. Carrying values of tangible and intangible assets

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

### 5. Discount rates used in convertible debentures

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

### 6. Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involve 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*.

## **FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS**

### **Financial assets and liabilities**

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

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

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

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

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

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

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

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

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

### **Credit Risk**

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

### **Liquidity Risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. Please refer to the section titled LIQUIDITY above in this MD&A for more details related to the Company's liquidity risk.

### **Interest Risk**

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

### **Currency Risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Certain cash and convertible notes of the Company are denominated in Canadian currency and exposes the Company to certain currency risks.

### **Shares Authorized**

Unlimited common shares without par value  
Unlimited preferred shares without par value

## **Issued and Outstanding**

| <u>Number Outstanding as at:</u> | <u>May 31, 2018</u> | <u>October 10, 2018</u> |
|----------------------------------|---------------------|-------------------------|
| Common shares                    | 79,037,430          | 79,037,430              |
| Stock options                    | 11,102,493          | 11,102,493              |
| Warrants                         | 32,257,994          | 30,156,471              |

## **BASIS OF PRESENTATION**

Please refer to Note 2 of the Company's audited annual financial statements as of and for the year ended May 31, 2018.

## **SIGNIFICANT ACCOUNTING POLICIES**

Please refer to Note 3 of the Company's audited annual financial statements as of and for the year ended May 31, 2018.

## **CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION**

A number of new standards, amendments to standards and interpretations are not yet effective as at the date of issuing these statements and have not been applied in preparing these financial statements. The Company has not early adopted any of the new standards and is currently evaluating the impact, if any, that such standards might have on the Company's financial statements. Please refer to Note 3 of the Company's audited annual financial statements as of and for the year ended May 31, 2018.

## **RISK FACTORS AND UNCERTAINTIES**

### **Strategic and Operational Risks**

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

### **Other Risk Factors**

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

### General and Industry Risks

The Company's business objectives in the next 12 months are to establish, by May 31, 2019, (i) an expanded profitable operating business that can be sustained on an ongoing basis, (ii) a strong market position that will permit the company to rapidly and profitably expand the market for its products, and (iii) significant competitive advantages that will permit the company to sustain its market shares and profit margins.

### Securities and Dilution

The only source of funds presently available to the Company is through the sale of equity capital or the assumption of debt. There is no assurance that such sources of financing will be available on acceptable terms, if at all. If the Company seeks additional equity financing, the issuance of additional shares will dilute the interests of their current shareholders. Failure to obtain such additional financings could result in delay or indefinite postponement of the Company's strategic goals.

### Competition

The Company's industries of focus are intensely competitive in all of its phases, and the Company will compete with many companies possessing greater financial resources and technical facilities than the Company.

### Conflicts of Interest

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

### No History of Earnings or Dividends

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

### Potential Profitability Depends Upon Factors Beyond the Control of the Company

The potential profitability of the Company is dependent upon many factors beyond the Company's control. Profitability also depends on the costs of operations, including costs of labor and occupancy costs, regulatory compliance and other professional fees. Such costs will fluctuate in ways the Company cannot predict and are beyond the Company's control, and such fluctuations will impact on profitability and may eliminate profitability altogether. Additionally, events that cause worldwide

economic uncertainty may make raising of funds difficult. These changes and events may materially affect the financial performance of the Company.

*Dependency on a Small Number of Management Personnel*

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

*Failure to perform contracts*

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

*Project performance*

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

*Intangible asset impairment*

The Company has recognized the value of its contracts and customer list as an intangible asset. The Company assesses these assets periodically to evaluate if value recognized as an asset has become impaired. If the Company were to determine that the applicable expected future cash flows do not support the intangible asset book values, impairment would need to be recognized that could have an adverse impact on the financial results of the Company such as occurred as at May 31, 2018.

*Future capital requirements*

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

**FORWARD LOOKING FINANCIAL STATEMENTS**

The information set forth in this MD&A contains statements concerning future results, future performance, intentions, objectives, plans and expectations that are, or may be deemed to be, forward-looking statements. These statements concerning possible or assumed future results of operations of the Company are preceded by, followed by or include the words 'believes,' 'expects,' 'anticipates,' 'estimates,' 'intends,' 'plans,' 'forecasts,' or similar expressions. Forward-looking statements are not guarantees of future performance. These forward-looking statements are based on current expectations that involve numerous risks and uncertainties, including, but not limited



to, those identified in the Risks Factors section. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are reasonable, but any of which could prove to be inaccurate. These factors should be considered carefully, and readers should not place undue reliance on forward-looking statements.

In this MD&A, the Company has specifically noted the forward-looking nature of comments where applicable. Generally, readers should be aware that forward-looking statements included or incorporated by reference in this document are related to its operating subsidiary CH. As the Company seeks approval to transition to an investment company and identifies appropriate investments, these forward-looking comments will become less relevant to its business. All of the disclosures in the balance of this MD&A relate to the historical business of the Company which may change if, as and when the Company completes a POA. At the date of this MD&A however these comments on forward looking matters are relevant and should be considered by readers.

## **CONTACT INFORMATION**

### **Officers and Directors**

|                 |                                      |
|-----------------|--------------------------------------|
| Tim Hyland      | Director, CFO and Treasurer          |
| Tom Marreel     | Chairman of the Board and Acting CEO |
| Jeffrey Wareham | Director                             |
| Scott Thomas    | Director                             |
| Jack Saltich    | Director                             |
| Brian Cameron   | Director                             |
| Michael Miller  | Corporate Secretary                  |

### **Contact Address**

Certive Solutions Inc.  
1140-1185 West Georgia Street  
Vancouver, B.C.  
V6E 4E6