Certive Solutions Inc.

Condensed Consolidated Financial Statements
(Expressed in U.S. Dollars)

As at and for the three-month period ended August 31, 2018

	Page
CONSOLIDATED FINANCIAL STATEMENTS	

No Auditor Review of the Condensed Consolidated Interim
Financial Statements

The accompanying unaudited condensed consolidated interim financial statements of Certive Solutions Inc. (the "Company"), as at and for the three-month period ended August 31, 2018 have been prepared by management and have not been the subject of a review by the Company's external independent auditors.

Certive Solutions Inc.

Vancouver, British Columbia
October 30, 2018

Approved on behalf of the Board of Directors:

"Timothy J Hyland"	Director	*"Thomas Marreel"*	Director
Timothy J Hyland		Thomas Marreel	

Certive Solutions Inc.

Condensed consolidated interim statements of financial position as at:

(Unaudited - Expressed in U.S. Dollars)

	Notes	August 31, 2018	May 31, 2018
ASSETS			
Current assets			
Cash		$ **54,561**	$ 20,141
Marketable Securities	4	**18,384**	7,474
Receivables	5	**370,293**	345,964
Total current assets		**443,238**	373,579
Non-Current Assets			
Customer list	6	**515,855**	515,855
Software development	7	**353,363**	372,933
Total non-current assets		**869,218**	888,788
Total assets		$ **1,312,456**	$ 1,262,367
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	8	$ **2,842,598**	$ 2,673,181
Deferred revenue		**133,743**	98,007
Convertible debt	10, 13	**2,986,068**	2,527,142
Short term loans	11	**128,792**	139,326
Note Payable – current portion	9, 14	**250,000**	250,000
Total current liabilities		**6,341,201**	5,687,656
Non-current liabilities			
Derivative liability	13	**480,206**	489,170
Note Payable – long term portion	9, 14	**250,000**	250,000
Total liabilities		**7,071,407**	6,426,826
Shareholders' Deficit	12		
Share capital		**21,030,282**	21,030282
Shares to be issued		**98,525**	98,525
Reserve – Transaction costs		**(655,877)**	(655,877)
Reserve – Share options		**1,854,015**	1,854,015
Reserve – Share warrants		**760,095**	760,095
Equity portion of convertible debt		**443,830**	424,833
Other equity instruments		**840,000**	840,000
Contributed surplus		**766,828**	766,829
Deficit		**(30,896,650)**	(30,283,161)
Total shareholders' deficit		**(5,758,951)**	(5,164,459)
Total shareholders' deficit and liabilities		$ **1,312,456**	$ 1,262,367

Nature of operations and going concern (Note 1)
Subsequent events (Note 18)

Certive Solutions Inc.

Condensed consolidated interim statements of loss and comprehensive loss for the three-months ended:

(Unaudited - Expressed in U.S. Dollars)

	Notes	August 31, 2018	August 31, 2017
REVENUE			
Consulting revenue		$ **42,904**	$ 60,852
Chargemaster revenue		**196,616**	337,300
Dashboard sales		**40,440**	39,409
Total revenue		**279,960**	437,561
OPERATING COSTS			
Commission		**26,319**	9,852
Contractors and consulting fees		**69,719**	90,922
Direct payroll and employee benefits	14	**205,598**	231,295
Travel to client sites		**-**	3,083
Licence fees		**165**	150
Total operating costs		**301,801**	335,302
Gross profit		**(21,841)**	102,259
EXPENSES			
Advisory board fees	14	**-**	22,500
Amortization	7	**19,570**	25,819
Bank charges and interest		**187,610**	107,241
Consulting fees		**48,400**	80,500
Corporate finance	14	**4,000**	53,400
Directors' fees	14	**10,000**	82,200
Foreign exchange		**(41,207)**	27,663
General and administrative		**38,905**	46,461
Investor relations		**-**	7,500
Management fees	14	**-**	147,000
Professional fees		**90,167**	96,031
Rent		**65,578**	38,375
Salaries and wages		**179,338**	201,207
Sales and marketing	14	**-**	542
Transfer agent and filing fees		**5,031**	6,154
Travel and promotion		**4,214**	36,154
Total expenses		**611,606**	978,747
		(633,447)	(876,488)
Foreign derivative recovery (expense)	13	**8,964**	(198,084)
Unrealized gain on marketable securities	4	**10,994**	-
Net loss and comprehensive loss for the period		$ **(613,489)**	$ (1,074,572)
Basic and diluted loss per common share		$ **(0.01)**	$ (0.01)
Weighted average number of common share outstanding		**78,957,065**	79,863,277

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Certive Solutions Inc.

Condensed consolidated interim statements of cash flows for the three-months ended:

(Unaudited - Expressed in U.S. Dollars)

		August 31, 2018		August 31, 2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss for the period	$	**(613,489)**	$	(1,074,572)
Items not affecting cash:				
Amortization		**19,570**		25,819
Accretion		**35,372**		48,269
Amortization of finance costs		**78,702**		53,681
Foreign derivative		**(8,964)**		198,084
Unrealized gain on marketable securities		**(10,994)**		-
Foreign exchange		**(45,355)**		6,524
Non-cash working capital item changes:				
Receivables		**(24,329)**		53,885
Prepaid and other assets		**-**		16,597
Accounts payable and accrued liabilities		**183,705**		292,850
Deferred revenue		**35,736**		-
Net cash used in operating activities		**(350,046)**		(378,863)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of software development		-	**$**	(24,597)
Cash received from Titan		-		100,000
Net cash used in investing activities		-		75,403
CASH FLOWS FROM FINANCING ACTIVITIES				
Short term loans		**(10,534)**	**$**	75,177
Proceeds from convertible debt		**395,000**		241,453
Net cash from financing activities		**384,466**		316,630
Net change in cash during the period		**34,420**		13,170
Cash, beginning of the period		**20,141**		138,258
Cash, end of the period	$	**54,561**	$	151,428
Cash (paid) received for				
Interest	$	-	$	-
Taxes	$	-	$	-

Non cash transactions:

- During the three months ended August 31, 2017, the Company transferred 1,111,700 shares valued at $55,319 as a transaction cost on convertible debt.
- During the three months ended August 31, 2017, the Company transferred $148,140 from short-term debt to convertible notes.

Certive Solutions Inc.

Condensed consolidated interim statements of changes in deficit for the three-months ended August 31, 2018 and 2017:

(Unaudited - Expressed in U.S. Dollars)

	Capital Stock										
	Number of Shares	Amount	Reserve Transaction costs	Shares to be issued	Reserve Share options	Reserve Warrants	Contributed surplus	Other equity instruments	Equity portion of convertible debt	Deficit	Total
Balance, May 31, 2017	**79,611,397**	**$ 21,057,849**	**$ (612,593)**	**$ -**	**$ 1,854,015**	**$ 487,220**	**$ 766,829**	**$ 840,000**	**$ 300,715**	**$ (25,119,233)**	**$ (425,198)**
Transaction costs on convertible debt	1,666,700	55,319	(24,411)	-	-	167,895	-	-	-	-	198,803
Discontinuation of Titan	(2,240,667)	(82,886)	-	-	-	-	-	-	-	-	(82,866)
Convertible debt issued	-	-	-	-	-	-	-	-	42,942	-	42,942
Loss for the period	-	-	-	-	-	-	-	-	-	(1,074,572)	(1,074,572)
Balance, August 31, 2017	**79,037,430**	**$ 21,030,282**	**$ (637,004)**	**$ -**	**$ 1,854,015**	**$ 655,115**	**$ 766,829**	**$ 840,000**	**$ 343,657**	**$ (26,193,805)**	**$ (1,340,911)**
Balance, May 31, 2018	**79,037,430**	**$ 21,030,282**	**$ (655,877)**	**$ 98,525**	**$ 1,854,015**	**$ 760,095**	**$ 766,829**	**$ 840,000**	**$ 424,833**	**$ (30,283,161)**	**$ (5,164,459)**
Convertible debt issued	-	-	-	-	-	-	-	-	18,997	-	18,997
Loss for the period	-	-	-	-	-	-	-	-		(613,489)	(613,489)
Balance, August 31, 2018	**79,037,430**	**$ 21,030,282**	**$ (655,877)**	**$ 98,525**	**$ 1,854,015**	**$ 760,095**	**$ 766,829**	**$ 840,000**	**$ 433,830**	**$ (30,896,650)**	**$ (5,758,951)**

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

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1. NATURE OF OPERATIONS AND GOING CONCERN

Certive Solutions Inc. (the "Company") was incorporated under the Laws of British Columbia and is traded on the Canadian Security Exchange ("CSE") and is quoted on the OTCQB in the United States. The Company provides revenue cycle management services to U.S. hospitals, delivered collaboratively, utilizing proprietary workflow document management and analytics tools tailored to health care business processes. The Company is currently focused on the lost charge recovery segment of revenue cycle management in a revenue sharing relationship that improve hospitals' net operating results. In addition, the Company licenses its dashboard software package to public health agencies across the United State.

The mailing address of the head office of the Company is 1140 - 1185 West Georgia Street, Vancouver, BC V6E 4E6.

The condensed consolidated financial statements of the Company are presented in U.S. dollars, unless otherwise indicated, which is the Company's functional currency.

These condensed consolidated financial statements have been prepared using International Financial Reporting Standards ("IFRS") on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The Company's ability to continue as a going concern is dependent upon the ability of the Company to obtain financing and generate positive cash flows from its operations. As at August 31, 2018, the Company has a working capital deficit of ($5,897,963) and an accumulated deficit of ($30,896,650). The Company's loss for the three-months ended August 31, 2018 is ($613,489).

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. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classification that would be necessary were the going concern assumption deemed to be inappropriate. These adjustments could be material.

2. BASIS OF PRESENTATION

a) Statement of compliance to International Financial Reporting Standards

The condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of condensed consolidated interim financial statements, including IAS 34, Interim Financial Reporting and using the same accounting policies and methods of computation as the Company's most recent annual consolidated financial statements. The condensed consolidated financial statements do not include all the information required for full annual financial statements. These condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended May 31, 2018.

The accounting policies followed by the Company are as set out in the audited financial statements for the year ended May 31, 2018 and have been consistently followed in the preparation of these condensed consolidated financial statements.

The consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments classified as fair value through profit and loss, and available for sale, which are stated at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The comparative figures presented in these consolidated financial statements are in accordance with IFRS.

These condensed consolidated financial statements were reviewed and approved and authorized for issue by the Board of Directors of the Company on October 30, 2018.

b) Significant accounting judgements and estimates

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.

<u>Critical Judgements</u>

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.

<u>Key Sources of Estimation Uncertainty</u>

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:

2. BASIS OF PRESENTATION (cont'd…)

b) Significant accounting judgements and estimates (cont'd…)

Key Sources of Estimation Uncertainty (cont'd…)

i) 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.

ii) 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.

iii) Recovery of deferred tax assets

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

iv) 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.

2. BASIS OF PRESENTATION (cont'd…)

b) Significant accounting judgements and estimates (cont'd…)

Key Sources of Estimation Uncertainty (cont'd…)

v) 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.

vi) Contingencies

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

c) 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, and each of its subsidiaries is the U.S. dollars.

d) Basis of consolidation

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

Details of the Company's subsidiaries are as follows:

Name	Place of incorporation	Interest %	Principal activity
Certive Solutions Inc. (the parent company)	British Columbia, Canada	100%	Revenue cycle management solutions
Certive Health Inc. (formerly Certive Technologies Arizona Inc.)	Arizona, United States	100%	Revenue cycle management solutions
Omega Technology Solutions Inc. ("Omega")	Florida, United States	100%	Revenue cycle management solutions
Knowledge Capital Alliance, Inc. ("KCA")	Arizona, United States	100%	Performance management solutions for public health agencies
Advantive Information Systems Inc.	British Columbia, Canada	100%	Revenue cycle management solutions

3. NEW AND FUTURE ACCOUNTING PRONOUNCEMENTS

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 these standards and is currently evaluating the impact, if any, that these standards might have on its consolidated financial statements.

New Standards Adopted:

Amendments to *IFRS 2 – 'Share-based payments'* - This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled.

IFRS 9 - Financial Instruments, addresses classification, measurement and recognition of financial assets and financial liabilities. This new standard is a partial replacement of IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 introduces new requirements for the classification and measurement of financial assets, additional changes relating to financial liabilities, a new general hedge accounting standard which will align hedge accounting more closely with risk management. The new standard also requires a single impairment method to be used, replacing multiple impairment methods in IAS 39.

IFRS 15 - Revenue from Contracts and Customers ("IFRS 15") will replace IAS 18, Revenue, IAS 11, Construction Contracts, and related interpretations on revenue. IFRS 15 sets out the requirements for recognizing revenue that apply to all contracts with customers, except for contracts that are within the scope of the Standards on leases, insurance contracts and financial instruments. IFRS 15 uses a control based approach to recognize revenue which is a change from the risk and reward approach under the current standard.

IFRIC 22 - "Foreign currency transactions and advance consideration" - This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency.

Future Accounting Standards:

IFRS 16 - Leases, effective for annual periods beginning on or after 1 January 2019. The scope of IFRS 16 includes leases of all assets, with certain exceptions. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. IFRS 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g. personal computers) and short-term leases (i.e. leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

(Expressed in U.S. Dollars)

4. MARKETABLE SECURITIES

		Marketable Securities
At cost, May 31, 2018	$	7,474
Unrealized Gain		10,994
Monetary Exchange Rate		(84)
Fair Market Value at August 31, 2018	$	18,384

5. RECEIVABLES

		August 31, 2018		May 31, 2018
GST input tax credits	$	7,450	$	6,797
Trade receivables		93,510		69,834
Work in progress		269,333		269,333
	$	370,293	$	345,964

The average credit period on rendering of services is between 30 to 45 days. No interest is charged on outstanding trade receivables.

6. CUSTOMER LISTS

		Knowledge Capital Alliance Inc.		Omega Technology Solutions Inc.		Total
Balance, May 31, 2017		515,855		480,000		995,855
Impairment		-		(480,000)		(480,000)
Balance, May 31 and August 31, 2018	$	515,855	$	-	$	515,855

The Company acquired these customer lists as part of their acquisitions of KCA and Omega.

The Company considers KCA, and Omega to be separate cash generating units (CGU's). The Company assessed each of these CGUs for impairment as at August 31, 2018 and May 31, 2018, and has determined that KCA was not impaired as at August 31, 2018, and May 31, 2018. The Company determined that Omega was impaired as at May 31, 2018 and determined that its recoverable amount was $Nil.

(Expressed in U.S. Dollars)

7. SOFTWARE DEVELOPMENT

		Software Development
Cost		
Balance at May 31, 2017	$	548,719
Additions		24,597
Balance at May 31, 2018 and August 31, 2018	$	573,316
Accumulated Amortization		
Balance at May 31, 2017	$	114,969
Amortization		85,414
Balance at May 31, 2018		200,383
Amortization		19,570
Balance at August 31, 2018	$	219,953
Net Book Value		
At May 31, 2018	$	372,933
At August 31, 2018	$	353,363

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		August 31, 2018		May 31, 2018
Accounts payable (Note 14)	$	1,747,989	$	1,711,654
Accrued Liabilities		730,216		638,231
Payroll Liabilities (Note 14)		364,393		323,296
	$	2,842,598	$	2,673,181

9. NOTE PAYABLE

During the year ended May 31, 2016, the Company completed the acquisition of Omega Technology Solutions LLC. (“Omega”). In connection with the acquisition, the Company issued a convertible promissory note of $600,000 to the former owner of Omega. During the year ended May 31, 2017, this promissory note was converted into shares to be issued and is recorded in other equity reserve as at August 31, 2018 and May 31, 2018. In addition, a further $240,000 is recorded in other equity reserve relating to 1,300,000 common shares to be issued to the former owner of Omega, which were issued during October 2018. (Note 18).

9. NOTE PAYABLE (cont'd…)

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 acquisition of Omega. The Company has agreed to make a $500,000 payment, which will also be used as settlement for any amounts owed between the Company and the former owner of Omega as follows:

- $250,000 due on or before October 31, 2018
- Payment of an additional $250,000 with the following terms:
  Quarterly payments equal to 25% of net income from the Omega division; and if the total amount of $250,000 is not paid by February 28, 2020, the remaining balance will be due on that date; and no interest is to accrue during the pay-out period.

10. CONVERTIBLE DEBT

During the three-months ended August 31, 2018, the Company issued the following convertible notes:

- Convertible promissory note of $60,000 on June 1, 2018, from a director of the Company (Note 14), maturing on May 1, 2019. The note bears simple interest at 8% per annum. Accrued interest to date shall be payable on September 30, 2018. The Company shall not be penalized for early repayment of any, or all of the note. The note is convertible into common shares of the Company at a price the higher of $0.06 per share or a 25% discount to the price per share on the date of conversion, at the option of the lender. Of the total amount of the convertible note, $3,825 was recorded as the equity component of the loan, and $56,175was recorded as a liability, using an effective interest rate of 15%.

- Convertible promissory note of $50,000 on June 6, 2018 maturing on June 6, 2020. The note bears simple interest at 10% per annum. The Company shall not be penalized for early repayment of any, or all of the note. The note is convertible into common shares of the Company at a price of $0.03 per share, at the option of the lender. Of the total amount of the convertible note, $4,893 was recorded as the equity component of the loan, and $45,107 was recorded as a liability, using an effective interest rate of 15%.

- Convertible promissory note of $15,000 on June 19, 2018, from a director of the Company (Note 14), maturing on May 19, 2019. The note bears simple interest at 8% per annum. Accrued interest to date shall be payable on September 30, 2018. The Company shall not be penalized for early repayment of any, or all of the note. The note is convertible into common shares of the Company at a price the higher of $0.06 per share or a 25% discount to the price per share on the date of conversion, at the option of the lender. Of the total amount of the convertible note, $966 was recorded as the equity component of the loan, and $14,033 was recorded as a liability, using an effective interest rate of 15%.

- Convertible promissory note of $10,000 on June 27, 2018, from a director of the Company (Note 14), maturing on May 27, 2017. The note bears simple interest at 8% per annum. Accrued interest to date shall be payable on September 30, 2018. The Company shall not be penalized for early repayment of any, or all of the note. The note is convertible into common shares of the Company at a price the higher of $0.06 per share or a 25% discount to the price per share on the date of conversion, at the option of the lender. Of the total amount of the convertible note, $644 was recorded as the equity component of the loan, and $9,356 was recorded as a liability, using an effective interest rate of 15%.

10. CONVERTIBLE DEBT (cont'd…)

- Convertible promissory notes of $100,000 on July 11, 2018 maturing on July 11, 2019. The notes bear simple interest at 18% per annum. Accrued interest to date shall be payable on September 30, 2018. The Company shall not be penalized for early repayment of any, or all the note. The notes are convertible into common shares of the Company at a price of $0.03 per share, at the option of the lender. Of the total amount of the convertible notes, $1,117 was recorded as the equity component of the loan, and $98,883 was recorded as a liability, using an effective interest rate of 18%.

- Convertible promissory note of $50,000 on July 16, 2018, from a member of the Company's advisory council (Note 14), maturing on July 16, 2019. The note bears simple interest at 15% per annum. Accrued interest to date shall be payable on September 30, 2018. The Company shall not be penalized for early repayment of any, or all of the note. The note is convertible into common shares of the Company at a price the higher of $0.06 per share or a 25% discount to the price per share on the date of conversion, at the option of the lender. Of the total amount of the convertible note, $463 was recorded as the equity component of the loan, and $49,537 was recorded as a liability, using an effective interest rate of 15%.

- Convertible promissory note of $50,000 on August 16, 2018, from a director of the Company (Note 14), maturing on July 16, 2019. The note bears simple interest at 8% per annum. Accrued interest to date shall be payable on September 30, 2018. The Company shall not be penalized for early repayment of any, or all of the note. The note is convertible into common shares of the Company at a price the higher of $0.06 per share or a 25% discount to the price per share on the date of conversion, at the option of the lender. Of the total amount of the convertible note, $3,222 was recorded as the equity component of the loan, and $46,778 was recorded as a liability, using an effective interest rate of 15%.

- Convertible promissory note of $10,000 on August 29, 2018, from a director of the Company (Note 14), maturing on July 29, 2019. The note bears simple interest at 8% per annum. Accrued interest to date shall be payable on September 30, 2018. The Company shall not be penalized for early repayment of any, or all of the note. The note is convertible into common shares of the Company at a price the higher of $0.06 per share or a 25% discount to the price per share on the date of conversion, at the option of the lender. Of the total amount of the convertible note, $644 was recorded as the equity component of the loan, and $9,356 was recorded as a liability, using an effective interest rate of 15%.

- Convertible promissory note of $50,000 on August 30, 2018, from a director of the Company (Note 14), maturing on July 30, 2019. The note bears simple interest at 8% per annum. Accrued interest to date shall be payable on September 30, 2018. The Company shall not be penalized for early repayment of any, or all of the note. The note is convertible into common shares of the Company at a price the higher of $0.06 per share or a 25% discount to the price per share on the date of conversion, at the option of the lender. Of the total amount of the convertible note, $3,222 was recorded as the equity component of the loan, and $46,778 was recorded as a liability, using an effective interest rate of 15%.

10. CONVERTIBLE DEBT (cont'd…)

During the year ended May 31, 2018, the Company issued the following convertible notes:

- The Company converted an advance of \$157,640 (CDN\$200,000), made in June 2017 into a convertible promissory note on February 28, 2018, maturing on February 28, 2020. The note bears interest at 10% per annum payable at maturity, calculated semi-annually up to and including the term of the note. The Company shall not be penalized for early repayment of any, or all of the note. The note is convertible into 3,333,334 common shares of the Company. Of the total amount of the convertible note, \$17,240 was recorded as the equity component of the loan, and \$140,400 was recorded as a liability, using an effective interest rate of 15%. In addition, the Company issued 3,333,400 warrants exercisable into common shares of the Company at a price of CDN\$0.06 expiring on February 26, 2020. These warrants were valued at \$38,721 using the Black Scholes option pricing model with an expected volatility of 185.24%, discount rate of 1.78%, expected life of 2 years, and a dividend rate of 0%. Of these transaction costs, \$4,235 was recorded as an equity component of the transaction costs, with the remainder amortized over the term of the loan. In addition, 666,700 shares valued at \$24,691 were issued to the lender of this note and recorded as transaction costs. Of these transaction costs, \$2,700 was recorded as a cost of the equity component of the convertible note. The remainder was recorded against the liability portion of the note and will be amortized over the term of the note.

- The Company converted an advance of \$157,640 (CDN\$200,000), made in June 2017 into a convertible promissory note on February 28, 2018, maturing on February 28, 2020. The note bears interest at 10% per annum payable at maturity, calculated semi-annually up to and including the term of the note. The Company shall not be penalized for early repayment of any, or all of the note. The note is convertible into 3,333,334 common shares of the Company. Of the total amount of the convertible note, \$17,240 was recorded as the equity component of the loan, and \$140,400 was recorded as a liability, using an effective interest rate of 15%. In addition, the Company issued 3,333,334 warrants exercisable into common shares of the Company at a price of CDN\$0.06 expiring on February 26, 2020. These warrants were valued at \$38,721 using the Black Scholes option pricing model with an expected volatility of 185.24%, discount rate of 1.78%, expected life of 2 years, and a dividend rate of 0%. Of these transaction costs, \$4,235 was recorded as an equity component of the transaction costs, with the remainder amortized over the term of the loan in addition, 1,000,000 shares valued at \$30,628 were issued to the lender of this note, and recorded as transaction costs. Of these transaction costs, \$3,350 was recorded as a cost of the equity component of the convertible note. The remainder was recorded against the liability portion of the note and will be amortized over the term of the note.

- The Company converted an advance of \$45,000 made in July 2017 into a convertible promissory note on February 28, 2018 maturing on February 28, 2020. The note bears interest at 10% per annum payable at maturity, calculated semi-annually up to and including the term of the note. The Company shall not be penalized for early repayment of any, or all of the note. The note is convertible into common shares of the Company at a price of \$0.03 per share at the option of the lender. Of the total amount of the convertible note, \$4,403 was recorded as the equity component of the loan, and \$40,597 was recorded as a liability. The Company issued 1,500,000 warrants exercisable into common shares of the Company at a price of \$0.06 expiring on February 26, 2020 valued at \$16,872 for this note. These warrants were valued using the Black Scholes option pricing model with an expected volatility of 185.24%, discount rate of 1.78%, expected life of 2 years, and a dividend rate of 0%. Of the total value of the transaction costs, \$1,651 was recorded as a cost of the equity component of the convertible note. The remainder was recorded against the liability portion of the note and will be amortized over the term of the note.

10. CONVERTIBLE DEBT (cont'd…)

- The Company converted advances of $82,500 made in August 2017 into convertible promissory notes on February 28, 2018 maturing on February 28, 2020. The notes bear interest at 10% per annum payable at maturity, calculated semi-annually up to and including the term of the note. The Company shall not be penalized for early repayment of any, or all the notes. The notes are convertible into common shares of the Company at a price of $0.06 per share at the option of the lender. Of the total amount of the convertible notes, $8,073 was recorded as the equity component of the loans, and $74,427 was recorded as a liability, using an effective interest rate of 15%. The Company issued 750,000 warrants, exercisable into common shares of the Company at a price of $0.06 expiring on February 26, 2020, valued at $8,436 for these notes. These warrants were valued using the Black Scholes option pricing model with an expected volatility of 185.24%, discount rate of 1.78%, expected life of 2 years, and a dividend rate of 0%. Of the total value of the transaction costs, $826 was recorded as a cost of the equity component of the convertible note. The remainder was recorded against the liability portion of the note and will be amortized over the term of the note.

- The Company converted an advance of $60,000 made in August 2017 into a convertible promissory note on February 28, 2018 maturing on February 28, 2020. The note bears interest at 10% per annum payable at maturity, calculated semi-annually up to and including the term of the note. The Company shall not be penalized for early repayment of any, or all of the note. The note is convertible into common shares of the Company at a price of $0.03 per share at the option of the lender. Of the total amount of the convertible note, $5,871 was recorded as the equity component of the loan, and $54,129 was recorded as a liability. The Company issued 2,000,000 warrants, exercisable into common shares of the Company at a price of $0.06 expiring on February 26, 2020, valued at $22,496 for this note. These warrants were valued using the Black Scholes option pricing model with an expected volatility of 185.24%, discount rate of 1.78%, expected life of 2 years, and a dividend rate of 0%. Of the total value of the transaction costs, $2,201 was recorded as a cost of the equity component of the convertible note. The remainder was recorded against the liability portion of the note and will be amortized over the term of the note.

- The Company converted an advance of $50,000 made in October 2017, by the CFO and director of the Company (Note 14), into a convertible promissory note on February 28, 2018 maturing on February 28, 2020. The note bears interest at 10% per annum payable at maturity, calculated semi-annually up to and including the term of the note. The Company shall not be penalized for early repayment of any, or all of the note. The note is convertible into common shares of the Company at a price of $0.05 per share at the option of the lender. Of the total amount of the convertible note, $4,893 was recorded as the equity component of the loan, and $45,107 was recorded as a liability. The Company issued 1,000,000 warrants, exercisable into common shares of the Company at a price of $0.05 expiring on February 26, 2020, valued at $11,636 for this note. These warrants were valued using the Black Scholes option pricing model with an expected volatility of 185.24%, discount rate of 1.78%, expected life of 2 years, and a dividend rate of 0%. Of the total value of the transaction costs, $1,139 was recorded as a cost of the equity component of the convertible note. The remainder was recorded against the liability portion of the note and will be amortized over the term of the note.

10. CONVERTIBLE DEBT (cont'd…)

- The Company converted an advance of $295,575 (CDN$375,000), made in October 2017 into a convertible promissory note on February 28, 2018, maturing on February 28, 2020. This loan was issued at a discount, with the Company receiving $279,335 (CAD$350,000). The note bears interest at 10% per annum payable at maturity, calculated semi-annually up to and including the term of the note. The Company shall not be penalized for early repayment of any, or all of the note. The note is convertible into 9,375,000 common shares of the Company. Of the total amount of the convertible note, $28,923 was recorded as the equity component of the loan, and $266,652 was recorded as a liability, using an effective interest rate of 15%. The Company is to issue 3,125,000 shares valued at $98,525 to the lender of this note and have been recorded as transaction costs. Of these transaction costs, $9,641 was recorded as the equity component, with the remained to be amortized over the term of the note. In addition, the Company issued 9,375,000 warrants, exercisable into common shares of the Company at a price of CDN$0.04 expiring on February 26, 2020, valued at $116,354 for this note. These warrants were valued using the Black Scholes option pricing model with an expected volatility of 185.24%, discount rate of 1.78%, expected life of 2 years, and a dividend rate of 0%. Of the value of these transaction costs, $12,167 was recorded as a cost of the equity component of the convertible note. The remainder was recorded against the liability portion of the note and will be amortized over the term of the note.

- The Company converted an advance of $50,000 made in November 2017 into a convertible promissory note on February 28, 2018 maturing on February 28, 2020. The note bears interest at 10% per annum payable at maturity, calculated semi-annually up to and including the term of the note. The Company shall not be penalized for early repayment of any, or all the note. The note is convertible into common shares of the Company at a price of $0.05 per share at the option of the lender. Of the total amount of the convertible note, $4,893 was recorded as the equity component of the loan, and $45,107 was recorded as a liability. The Company issued 1,000,000 warrants, exercisable into common shares of the Company at a price of $0.05 expiring on February 26, 2020, valued at $11,636 for this note. These warrants were valued using the Black Scholes option pricing model with an expected volatility of 185.24%, discount rate of 1.78%, expected life of 2 years, and a dividend rate of 0%. Of the total value of the transaction costs, $1,139 was recorded as a cost of the equity component of the convertible note. The remainder was recorded against the liability portion of the note and will be amortized over the term of the note.

- The Company converted an advance of $90,000 made in fiscal 2018 into a convertible promissory note on February 28, 2018 maturing on November 24, 2019. The note bears interest at 10% per annum payable at maturity, calculated semi-annually up to and including the term of the note. The Company shall not be penalized for early repayment of any, or all of the note. The note is convertible into common shares of the Company at a price of $0.05 per share at the option of the lender. Of the total amount of the convertible note, $8,806 was recorded as the equity component of the loan, and $81,194 was recorded as a liability, using an effective interest rate of 15%.

- Convertible promissory note of $50,000 in March 2018 with a maturity date of April 20, 2020. The note bears interest at 10% per annum payable at maturity, calculated semi-annually. The Company shall not be penalized for early repayment of any, or all the note. The note is convertible into common shares of the Company at a price of $0.03 per share at the option of the lender. Of the total amount of the convertible note, $4,893 was recorded as the equity component of the loan, and $45,107 was recorded as a liability, using an effective interest rate of 15%.

10. CONVERTIBLE DEBT (cont'd…)

- Convertible promissory note of $100,000 in March 2018, from a director of the Company (Note 14), maturing on February 28, 2019. The note bears simple interest at 8% per annum. The Company shall not be penalized for early repayment of any, or all the note. The note is convertible into common shares of the Company at a price the higher of $0.06 per share or a 25% discount to the price per share on the date of conversion, at the option of the lender. Of the total amount of the convertible note, $5,854 was recorded as the equity component of the loan, and $94,146 was recorded as a liability, using an effective interest rate of 15%.

- Convertible promissory note of $25,000 in March 2018, from a director of the Company (Note 14), maturing on April 4, 2019. The note bears simple interest at 8% per annum. The Company shall not be penalized for early repayment of any, or all the note. The note is convertible into common shares of the Company at a price the higher of $0.06 per share or a 25% discount to the price per share on the date of conversion, at the option of the lender. Of the total amount of the convertible note, $1,445 was recorded as the equity component of the loan, and $23,555 was recorded as a liability, using an effective interest rate of 15%.

- Convertible promissory note of $25,000 in March 2018 maturing on February 28, 2019. The note bears simple interest at 8% per annum. The Company shall not be penalized for early repayment of any, or all of the note. The note is convertible into common shares of the Company at a price the higher of $0.06 per share or a 25% discount to the price per share on the date of conversion, at the option of the lender. Of the total amount of the convertible note, $1,604 was recorded as the equity component of the loan, and $23,396 was recorded as a liability, using an effective interest rate of 15%.

- Convertible promissory note of $25,000 in March 2018 maturing on March 1, 2019. The note bears simple interest at 8% per annum. The Company shall not be penalized for early repayment of any, or all of the note. The note is convertible into common shares of the Company at a price the higher of $0.06 per share or a 25% discount to the price per share on the date of conversion, at the option of the lender. Of the total amount of the convertible note, $1,449 was recorded as the equity component of the loan, and $23,551 was recorded as a liability, using an effective interest rate of 15%.

- Convertible promissory note of $50,000 in April 2018 maturing on March 26, 2020. The note bears interest at 10% per annum, calculated semi-annually. The Company shall not be penalized for early repayment of any, or all of the note. The note is convertible into common shares of the Company at a price of $0.03 per share at the option of the lender. Of the total amount of the convertible note, $4,893 was recorded as the equity component of the loan, and $45,107 was recorded as a liability, using an effective interest rate of 15%.

- Convertible promissory note of $25,000 in May 2018, from an advisory board member of the Company (Note 14), maturing on March 30, 2019. The note bears simple interest at 8% per annum. The Company shall not be penalized for early repayment of any, or all the note. The note is convertible into common shares of the Company at a price the higher of $0.06 per share or a 25% discount to the price per share on the date of conversion, at the option of the lender. Of the total amount of the convertible note, $1,739 was recorded as the equity component of the loan, and $23,261 was recorded as a liability, using an effective interest rate of 15%.

(Expressed in U.S. Dollars)

10. CONVERTIBLE DEBT (cont'd…)

- Convertible promissory note of $7,500 in May 2018, from a director of the Company (Note 14), maturing on April 21, 2019. The note bears simple interest at 8% per annum. The Company shall not be penalized for early repayment of any, or all the note. The note is convertible into common shares of the Company at a price the higher of $0.06 per share or a 25% discount to the price per share on the date of conversion, at the option of the lender. Of the total amount of the convertible note, $435 was recorded as the equity component of the loan, and $7,065 was recorded as a liability, using an effective interest rate of 15%.

- Convertible promissory note of $25,000 in May 2018, from a director of the Company (Note 14), maturing on April 30, 2019. The note bears simple interest at 8% per annum. The Company shall not be penalized for early repayment of any, or all the note. The note is convertible into common shares of the Company at a price the higher of $0.06 per share or a 25% discount to the price per share on the date of conversion, at the option of the lender. Of the total amount of the convertible note, $1,464 was recorded as the equity component of the loan, and $23,526 was recorded as a liability, using an effective interest rate of 15%.

During the year ended May 31, 2018, the Company modified terms for certain convertible notes issued during the year ended May 31, 2017:

- For the convertible notes of $150,000 issued in May 2017, the Company extend this maturity of this note to February 28, 2020 and issued 524,000 warrants valued at $4,802.

- For the convertible note of $100,000 issued in March 2017, the Company extend this maturity of this note to February 28, 2020 and issued 350,000 warrants valued at $3,201.

As at August 31, 2018 and May 31, 2018, the Company has the following convertible notes outstanding:

		August 31, 2018		May 31, 2018
Convertible notes over due	$	688,773	$	699,060
Convertible notes due within 12 months of year end date		1,366,925		1,028,194
Convertible notes due after 12 months from year end		1,263,581		1,211,801
Transaction costs and bond discounts		(333,221)		(411,913)
	$	2,986,068	$	2,527,142

11. SHORT-TERM LOANS

The loans are made of the following:

		August 31, 2018		May 31, 2018
Loans from related parties (Note 14)	$	120,792	$	131,320
Loans from other entities		8,000		8,000
	$	128,792	$	139,320

All loans payable do not have any terms of repayment.

(Expressed in U.S. Dollars)

12. SHARE CAPITAL

a) Common and preferred stock

Authorized - Unlimited common and preferred shares without par value.

Transactions:

-During the three-months ended August 31, 2018, the Company had no share capital transactions.

-During the three-months ended August 31, 2017, the Company had the following share transactions:

The Company issued 1,666,700 shares valued at $55,319 as transaction costs on convertible notes.
The Company returned 2,240,000 shares valued at $82,886 to treasury for Titan's discontinuation.

b) Share purchase warrants

The following table summarizes the continuity of share purchase warrants:

	Number of Warrants		Weighted Average Exercise Price
Outstanding, May 31, 2017	10,424,593	$	0.26
Issued	23,166,734		0.05
Exercised	(1,333,333)		0.35
Outstanding, August 31, 2018 and May 31, 2018	32,257,994	$	0.10

As at August 31, 2018, the Company had the following share purchase warrants outstanding:

Outstanding	Exercise Price	Remaining Life (Years)	Expiry Date
2,101,523	$0.35	0.03	September 12, 2018
1,600,000	CDN$0.15	0.23	November 21, 2018
2,635,015	CDN$0.50	0.25	November 30, 2018
254,722	CDN$0.60	0.25	November 30, 2018
2,500,000	CDN$0.15	0.40	January 23, 2019
6,666,734	CDN$0.06	1.49	February 26, 2020
875,000	$0.15	1.49	February 26, 2020
4,250,000	$0.06	1.49	February 26, 2020
9,375,000	CAD$0.04	1.49	February 26, 2020
2,000,000	$0.05	1.49	February 26, 2020
32,257,994	$0.10	1.14	

(Expressed in U.S. Dollars)

12. SHARE CAPITAL (cont'd…)

c) Stock options

The Company's Stock Option Plan is a 20% rolling plan that allows a maximum 20% of the issued shares to be reserved for issuance under the plan. Options granted under the plan may not have a term exceeding 5 years and vesting provisions are at the discretion of the Board of Directors.

The following is a summary of stock option activities during the year ended May 31, 2018 and the three-months ended August 31, 2018:

	Number of Stock Options	**Weighted Average Exercise Price**
Outstanding, August 31, 2018, May 31, 2018, and May 31, 2017	11,102,493	$0.19

At August 31, 2018, the following stock options were outstanding to directors, officers and employees:

Outstanding	**Exercisable**	**Exercise Price**	**Remaining Life (Years)**	**Expiry Date**
4,750,000	4,750,000	CDN$0.25	0.22	November 17, 2018
4,252,493	4,252,493	CDN$0.25	2.34	December 31, 2020
2,100,000	2,100,000	$0.22	3.04	September 13, 2021
11,102,493	11,102,493	$0.19	1.56	

The Company recognizes compensation expense for all stock options granted using the fair value-based method of accounting. No options were issued during the three-months ended August 31, 2018 or 2017

d) Transactions costs reserve

The transactions costs reserve is used to record the costs directly attributable to the issue of common shares and share purchase options and is recognized as a deduction from equity, net of any tax effects.

e) Other equity instruments

This consists of $240,000, the value of the 1,300,000 common shares to be issued upon the acquisition of Omega, which shares were issued in October 2018, and $600,000 for the shares to be issued upon the conversion of the Omega note.

(Expressed in U.S. Dollars)

13. DERIVATIVE LIABILTY

The derivative financial liability consists of the fair value of non-compensatory share purchase warrants and convertible notes that have an exercise price or a conversion price that differs from the functional currency of the Company. Details of the derivative liability as at August 31, 2018 and May 31, 2018 is as follows:

As at August 31, 2018:

Expiration Date	Exercise price	Number of securities exercisable/convertible		Fair value as at August 31, 2018
November 30, 2018	CDN$0.50	2,635,015	$	7,451
November 30, 2018	CDN$0.60	254,722		600
March 23, 2019	CDN$0.15	2,666,667		35,292
January 23, 2019	CDN$0.15	4,666,667		52,218
January 23, 2019	CDN$0.15	2,500,000		27,974
November 21, 2018	CDN$0.15	1,600,000		10,739
February 26, 2020	CDN$0.06	3,333,334		69,891
February 26, 2020	CDN$0.06	3,333,400		69,892
February 26, 2020	CDN$0.04	9,375,000		206,149
		30,364,805	$	480,206

These securities were valued using the Black Scholes option pricing model with a weighted average expected volatility of 266.05%, discount rate of 1.87%, expected life of 0.97 years, and a dividend rate of 0%.

As at May 31, 2018:

Expiration Date	Exercise price	Number of securities exercisable/convertible		Fair value as at May 31, 2018
November 30, 2018	CDN$0.50	2,635,015	$	20,409
November 30, 2018	CDN$0.60	254,722		1,816
March 23, 2019	CDN$0.15	2,666,667		38,729
March 23, 2019	CDN$0.15	4,666,667		64,356
January 23, 2019	CDN$0.15	2,500,000		34,477
November 21, 2018	CDN$0.15	1,600,000		18,654
February 26, 2020	CDN$0.06	3,333,334		63,081
February 26, 2020	CDN$0.06	3,333,400		63,082
February 26, 2020	CDN$0.04	9,375,000		184,566
		30,364,805	$	489,170

These securities were valued using the Black Scholes option pricing model with a weighted average expected volatility of 266.05% discount rate of 1.87%, expected life of 1.22 years, and a dividend rate of 0%.

14. RELATED PARTY TRANSACTIONS

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

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

Name	Position and nature of relationship
LiteLink Technologies Inc. (Formerly AXS Blockchain Solutions Inc, and formerly Canadian Data Preserve, Inc.) ("LiteLink")	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
Knowledge Capital Alliance Inc.	Company controlled by key management personnel
Bridge Business Development	Company controlled by former director
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	Company controlled by key management personnel
Tim Hyland	Director and officer, and former advisory board member
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 secretary
Fredrick Erickson	Key management personnel
Ann Fierro	Key management personnel
Timothy Tolchin	Key management personnel
Van Potter	Former director and former officer
Michael Bartlett	Former director
John Shackleton	Former director
Edwin Holder	Former director
Mary Ann Miller	Former director
Thomas Hoehner	Former key management personnel
Todd Hisey	Former key management personnel
Bob Uxa	Advisory board member
Jack Chapman	Advisory board member

(Expressed in U.S. Dollars)

14. RELATED PARTY TRANSACTIONS (cont'd…)

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

	Nature of relationship		August 31, 2018		May 31, 2018
Accounts payable (Note 8)	Directors, key management personnel, and companies controlled by these parties,	$	666,361	$	716,072
Accounts payable (Note 8)	Former directors, former key management personnel, and companies controlled by these parties	$	-	$	-
Convertible loans – face value (Note 10)	Directors and CFO	$	402,500	$	207,500
Convertible loans – face value (Note 10)	Advisory board member	$	175,000	$	125,000
Notes payable (Note 9)	Key management personnel	$	500,000	$	500,000
Short-term loans payable (Note 11)	Key management personnel	$	96,792	$	106,326
Short-term loans payable (Note 11)	Former director and former officer	$	24,000	$	25,000

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

		August 31, 2018		August 31, 2017
Management fees	$	-	$	147,000
Salaries to key management personnel, included in operating costs and expenses		87,125		90,650
Consulting fees		48,400		80,500
Directors' fees		10,000		82,200
Advisory board fees to a former advisory board member, and current director.		-		22,500
Total	$	145,525	$	422,850

15. MANAGEMENT OF CAPITAL

The Company manages its common shares, stock options and share purchase warrants as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its assets and to maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk. The Company is not subject to any externally imposed capital requirements.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt or acquire or dispose of assets.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

15. MANAGEMENT OF CAPITAL (cont'd…)

In order to maximize ongoing efforts, the Company does not pay out dividends. The Company's investment policy is to keep its cash treasury invested in demand certificates of deposit with major financial institutions. There have been no changes to the Company's approach to capital management during the three-months ended August 31, 2018.

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial risk management

The board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's financial instruments consist of receivables, due from related parties, accounts payable and accrued liabilities, convertible debt, due to related parties and short-term loan.

The fair value of cash and marketable security is measured on the statement of financial position using level 1 of the fair value hierarchy. The fair value of convertible debt is measured on the statement of financial position using level 3 of the fair value hierarchy. The fair values of receivables, accounts payable, short-term loans and notes payable, approximate their book values because of the short-term nature of these instruments.

Financial instrument risk exposure

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

a) Credit risk

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

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure as described in Note 15. There is a risk that the Company may not be able to meet its financial obligation when they are due. All of the Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms.

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd…)

c) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as foreign exchange rates, interest rates, and commodity and equity prices:

(i) Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the foreign currency exchange rates. The Company's functional currency is the United States dollar as the Company's main center of operations is the United States. As at August 31, 2018, the Company has approximately CDN$1,800,000 of financial liabilities denominated in Canadian dollars. A 10% change in exchange rate would result on a change to loss and comprehensive loss of approximately $137,500.

(ii) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.
The risk that the Company will realize a loss as a result of interest rate risk on its notes payable is minimal, as these have a short-term to maturity, and a fixed interest rate.

(iii) Price risk

The Company is not exposed to significant price risk as it does not hold significant investments in publicly traded securities. The Company's price risk is limited to the value of its marketable securities.

17. CONTINGENT LIABILTY

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 August 31, 2018 and May 31, 2018, the Company has fully recorded this obligation of approximately $325,000 in its payroll liabilities (Note 8).

18. SUBSEQUENT EVENTS

- Subsequent to August 31, 2018, the Company received $130,000 in short-term demand loans from officers of the Company, bearing simple interest of 12% per annum.

- Subsequent to August 31, 2018, the Company issued $175,000 in convertible debentures, maturing between August 30, 2019 and February 26, 2020. Theses note bear interest at 8% per annum and are convertible at the greater of $0.06 or twenty five percent (25%) discount below the market price at close of markets for such common stock on the date the option is exercise.

- Subsequent to August 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.

18. SUBSEQUENT EVENTS (cont'd…)

- Subsequent to August 31, 2018, the Company issued 3,125,000 shares to a significant lender to the Company pursuant to a debt agreement.

- Subsequent to August 31, 2018, the Company issued 100,000 shares to a vendor of the Company pursuant to the vendor agreement.

- Subsequent to August 31, 2018, the Company issued 1,300,000 shares to the former owners of the Omega assets pursuant to the Purchase Agreement. (Note 9)