



**Certive Solutions Inc.**

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

**As at and for the nine-months ended February 28, 2019**

CONSOLIDATED FINANCIAL STATEMENTS

Condensed Consolidated Interim Statements of Financial Position	4
Condensed Consolidated Interim Statements of Loss and Comprehensive Loss	5
Condensed Consolidated Interim Statements of Cash Flows	6
Condensed Consolidated Interim Statements of Changes in Equity	7
Notes to the Condensed Consolidated Interim Financial Statements	8 - 31

---

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 nine-month period ended February 28, 2019 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  
April 23, 2019

Approved on behalf of the Board of Directors:

“Timothy J Hyland” Director  
Timothy J Hyland

“Thomas Marreel” Director  
Thomas Marreel

**Certive Solutions Inc.**

Condensed consolidated interim statements of financial position as at February 28, 2019 and May 31, 2018  
(Unaudited - Expressed in U.S. Dollars)

	Notes	February 28, 2019	May 31, 2018
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		\$ 187,783	\$ 20,141
Marketable securities	4	21,264	7,474
Receivables	5	346,051	345,964
Prepaid Expenses		37,500	-
<b>Total current assets</b>		<b>592,598</b>	<b>373,579</b>
<b>Non-Current Assets</b>			
Customer list	6	515,855	515,855
Software development	7	314,226	372,933
<b>Total non-current assets</b>		<b>830,081</b>	<b>888,788</b>
<b>Total assets</b>		<b>\$ 1,422,679</b>	<b>\$ 1,262,367</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	8	\$ 3,153,738	\$ 2,673,181
Deferred revenue		98,063	98,007
Convertible debt	10	3,730,812	2,527,142
Short term loans	11,14	488,825	139,326
Note Payable – current portion	9,14	250,000	250,000
<b>Total current liabilities</b>		<b>7,721,438</b>	<b>5,687,656</b>
<b>Non-current liabilities</b>			
Derivative liability	13	287,217	489,170
Long term loans	9,14	250,000	250,000
<b>Total liabilities</b>		<b>8,258,655</b>	<b>6,426,826</b>
<b>Shareholders' Equity (Deficit)</b>			
Share capital	12	21,366,724	21,030,282
Shares to be issued		-	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		511,443	424,833
Other equity instruments		600,000	840,000
Contributed surplus		766,829	766,829
Deficit		(32,039,205)	(30,283,161)
<b>Total shareholders' deficit</b>		<b>(6,835,976)</b>	<b>(5,164,459)</b>
<b>Total shareholders' deficit and liabilities</b>		<b>\$ 1,422,679</b>	<b>\$ 1,262,367</b>

Nature of operations and going concern (Note 1)

Subsequent events (Note 17)

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

## Certive Solutions Inc.

Condensed consolidated interim statements of loss and comprehensive loss for the periods ended February 28, 2019 and 2018  
(Unaudited - Expressed in U.S. Dollars)

	Notes	Three months ended February 28, 2019	Three months ended February 28, 2018	Nine months ended February 28, 2019	Nine months ended February 28, 2018
<b>REVENUE</b>					
Consulting revenue		122,929	46,517	224,977	163,651
Chargemaster revenue		175,413	265,386	754,432	948,856
Dashboard sales		74,189	50,750	188,853	126,098
<b>Total revenue</b>		<b>372,531</b>	<b>353,653</b>	<b>1,168,262</b>	<b>1,238,605</b>
<b>OPERATING COSTS</b>					
Commission		21,093	12,838	71,542	30,010
Contractors and consulting fees		148,752	141,212	306,826	317,595
Direct payroll and employee benefits	14	436,409	242,524	1,086,701	716,879
Travel to client sites		-	711	1,162	4,199
Licence fees		-	-	165	150
<b>Total operating costs</b>		<b>606,254</b>	<b>396,691</b>	<b>1,466,396</b>	<b>1,068,833</b>
<b>Gross profit</b>		<b>(233,723)</b>	<b>(43,038)</b>	<b>(298,134)</b>	<b>169,772</b>
<b>EXPENSES</b>					
Advisory board fees	14	-	15,000	12,000	60,000
Amortization	7	19,568	19,570	58,707	64,957
Bank charges and interest		358,181	52,042	675,357	302,587
Consulting fees	14	64,251	68,400	164,223	240,700
Corporate finance		-	11,700	16,000	72,300
Directors' fees	14	-	30,000	10,000	152,200
Foreign exchange		(21,673)	(226,133)	(78,704)	(184,889)
General and administrative		50,232	65,593	130,439	163,529
Investor relations		-	-	-	7,500
Management fees	14	68,000	141,000	122,000	429,000
Professional fees		56,565	62,769	197,758	305,561
Rent		59,451	70,617	185,893	185,166
Salaries and wages	14	28,633	161,552	234,436	581,038
Sales and marketing		-	9,968	-	10,510
Transfer agent and filing fees		12,301	12,315	25,526	29,696
Travel and promotion		11,804	57,513	18,765	134,587
<b>Total expenses</b>		<b>(707,313)</b>	<b>(551,906)</b>	<b>(1,772,400)</b>	<b>(2,554,442)</b>
		<b>(941,036)</b>	<b>594,994</b>	<b>(2,070,534)</b>	<b>(2,384,670)</b>
Unrealized gain (loss) on marketable securities		(3,132)	-	13,982	-
Gain on shares returned to treasury		9,855	-	9,855	-
Derivative recovery		140,577	48,309	201,952	33,693
Recovery of accounts payable	14	88,700	-	88,700	-
<b>Net loss and comprehensive loss for the period</b>		<b>\$ (705,036)</b>	<b>\$ (546,635)</b>	<b>\$ (1,756,044)</b>	<b>\$ (2,350,977)</b>
<b>Basic and diluted loss per common share</b>		<b>\$ (0.01)</b>	<b>\$ (0.01)</b>	<b>\$ (0.02)</b>	<b>\$ (0.03)</b>
<b>Weighted average number of common share outstanding</b>		<b>83,701,708</b>	<b>79,037,430</b>	<b>81,441,529</b>	<b>79,315,738</b>

## Certive Solutions Inc.

Condensed consolidated interim statements of cash flows for the nine-month periods ended February 28, 2019 and 2018  
(Unaudited - Expressed in U.S. Dollars)

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss for the period	\$ (1,756,044)	\$ (2,350,977)
Items not affecting cash:		
Amortization	58,707	64,957
Shares issued for consulting	7,772	-
Accretion	121,343	196,973
Amortization of finance costs	216,208	79,515
Foreign derivative	(201,953)	(33,693)
Foreign exchange	(52,079)	(70,220)
Unrealized gain marketable securities	(13,982)	-
Recovery of accounts payable	(88,700)	-
Gain on shares returned to treasury	(9,855)	-
Consulting fees for convertible debt	12,500	-
Non-cash working capital item changes:		
Receivables	(87)	56,248
Prepaid and other assets	-	16,597
Accounts payable and accrued liabilities	569,257	858,985
Deferred Revenue	56	-
Net cash used in operating activities	<u>(1,136,857)</u>	<u>(1,181,615)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of software development, net of repayments	-	(24,597)
Cash received from Titan	-	100,000
Net cash used in investing activities	<u>-</u>	<u>75,403</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short term loan, net of repayments	394,499	353,809
Proceeds from convertible debt	910,000	724,294
Net cash from financing activities	<u>1,304,499</u>	<u>1,078,103</u>
<b>Net change in cash during the period</b>	<b>167,642</b>	<b>(28,109)</b>
<b>Cash, beginning of the period</b>	<b>20,141</b>	<b>138,258</b>
<b>Cash, end of the period</b>	<b>\$ 187,783</b>	<b>\$ 110,149</b>
<b>Cash (paid) received for</b>		
Interest	\$ -	\$ -
Taxes	\$ -	\$ -

Non-cash transactions affecting cash flows for investing and financing activities:

During the period ended February 28, 2019:

- The Company issued \$50,000 convertible note at 8% with an expiration of one year in exchange for consulting services, of which \$37,500 is recorded as prepaid expenses as at February 28, 2019.
- The Company returned 328,496 shares valued at \$9,855 to treasury as the holder no longer wished to possess shares.
- The Company issued 1,300,000 shares valued at \$240,000, which has recorded as other equity instruments.
- The Company issued 3,125,000 shares valued at \$98,525 which were reserved to be issued.
- The Company issued 374,326 shares valued at \$7,772 for consulting fees.
- \$45,000 was transferred from short-term debt to convertible notes.

During the period ended February 28, 2018:

- The Company transferred \$148,140 from short-term debt to convertible notes
- The Company issued 1,666,700 shares valued at \$55,319 as a transaction costs on convertible debt.
- The Company has recorded \$98,525 as a transaction cost on convertible debentures that will be settled by the issuance of 3,125,000 shares.

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

## Certive Solutions Inc.

Condensed consolidated interim financial statements of changes in equity (deficit) for the nine months periods ended February 28, 2019 and 2018.

(Unaudited - Expressed in U.S. Dollars)

	Capital Stock		Shares to be issued	Reserve Transaction costs	Reserve Share options	Reserve Warrants	Contributed surplus	Other equity instruments	Equity portion of convertible debt	Deficit	Total
	Number of Shares	Amount									
<b>Balance, May 31, 2017</b>	79,611,397	\$ 21,057,849	\$ -	\$ (612,593)	\$ 1,854,015	\$ 487,220	\$ 766,829	\$ 840,000	\$ 300,715	\$ (25,119,233)	\$ (425,198)
Shares returned to treasury on discontinuation of Titan	(2,240,667)	(82,886)	-	-	-	-	-	-	-	-	(82,886)
Transaction costs on convertible debt	1,666,700	55,319	98,525	(42,963)	-	275,136	-	-	-	-	386,017
Convertible debt issued	-	-	-	-	-	-	-	-	83,464	-	83,464
Loss for the period	-	-	-	-	-	-	-	-	-	(2,350,977)	(2,350,977)
<b>Balance, February 28, 2018</b>	<b>79,037,430</b>	<b>\$ 21,130,282</b>	<b>\$ 98,525</b>	<b>\$ (655,556)</b>	<b>\$ 1,854,015</b>	<b>\$ 762,356</b>	<b>\$ 766,829</b>	<b>\$ 840,000</b>	<b>\$ 384,179</b>	<b>\$ (27,470,210)</b>	<b>\$ (2,389,580)</b>
<b>Balance, May 31, 2018</b>	<b>79,037,430</b>	<b>\$ 21,030,282</b>	<b>\$ 98,525</b>	<b>\$ (655,877)</b>	<b>\$ 1,854,015</b>	<b>\$ 760,095</b>	<b>\$ 766,829</b>	<b>\$ 840,000</b>	<b>\$ 424,833</b>	<b>\$ (30,283,161)</b>	<b>\$ (5,164,459)</b>
Convertible Debt Issued	-	-	-	-	-	-	-	-	86,610	-	86,610
Shares issued for convertible debt transaction cost	3,125,000	98,525	(98,525)	-	-	-	-	-	-	-	-
Shares issued for acquisition of Omega	1,300,000	240,000	-	-	-	-	-	(240,000)	-	-	-
Shares issued for consulting	374,326	7,772	-	-	-	-	-	-	-	-	7,772
Shares Returned to treasury	(328,496)	(9,855)	-	-	-	-	-	-	-	-	(9,855)
Loss for the period	-	-	-	-	-	-	-	-	-	(1,756,044)	(1,756,044)
<b>Balance, February 28, 2019</b>	<b>83,508,260</b>	<b>\$ 21,366,724</b>	<b>\$ -</b>	<b>\$ (655,877)</b>	<b>\$ 1,854,015</b>	<b>\$ 760,095</b>	<b>\$ 766,829</b>	<b>\$ 600,000</b>	<b>\$ 511,443</b>	<b>\$ (32,039,205)</b>	<b>\$ (6,835,976)</b>

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

## **Certive Solutions Inc.**

Notes to condensed consolidated interim financial statements February 28, 2019

*(Unaudited - Expressed in U.S. Dollars)*

---

### **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 Company mailing address is 1185 West Georgia Street, Suite 1140, Vancouver, BC V6E 4E6. The Company’s records office is located at 7373 East Doubletree Ranch Road, Suite 210, Scottsdale, Arizona 85258.

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 February 28, 2019, the Company has a working capital deficit of \$7,128,840 and an accumulated deficit of \$32,039,205. The Company’s loss for the nine-month period ended February 28, 2019 is \$1,756,044.

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 April 23, 2019.

### **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.

#### 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:

## Certive Solutions Inc.

Notes to condensed consolidated interim financial statements February 28, 2019

(Unaudited - Expressed in U.S. Dollars)

---

### 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.

## Certive Solutions Inc.

Notes to condensed consolidated interim financial statements February 28, 2019

(Unaudited - Expressed in U.S. Dollars)

---

### 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.

##### v) 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%	Management solutions
Certive Health Inc. (formerly Certive Technologies Arizona Inc.)	Arizona, United States	100%	Management solutions
Omega Technology Solutions Inc. ("Omega")	Arizona, United States	100%	Healthcare revenue cycle management solutions
Knowledge Capital Alliance, Inc. ("KCA")	Delaware, United States	100%	Performance management solutions for public health agencies
Advantive Information Systems Inc.	British Columbia, Canada	100%	Dormant

### **3. NEW AND FUTURE ACCOUNTING PRONOUNCEMENTS**

#### 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”)* replaced 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. The Company is assessing the impact that this standard will have on its consolidated financial statements.

## Certive Solutions Inc.

Notes to condensed consolidated interim financial statements February 28, 2019

(Unaudited - Expressed in U.S. Dollars)

### 4. MARKETABLE SECURITIES

	<b>Marketable Securities</b>	
Fair Value at May 31, 2018	\$	7,474
Unrealized Gain		13,982
Monetary Exchange Rate		(192)
Fair Value at February 28, 2019	\$	21,264

### 5. RECEIVABLES

	<b>February 28, 2019</b>		<b>May 31, 2018</b>	
GST input tax credits	\$	7,422	\$	6,797
Trade receivables		137,122		69,834
Work in progress		201,507		269,333
	\$	346,051	\$	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

	<b>Knowledge Capital Alliance Inc.</b>		<b>Omega Technology Solutions Inc.</b>		<b>Total</b>
Balance, May 31, 2017	\$	515,855	\$	480,000	\$ 995,855
Impairment		-		(480,000)	(480,000)
Balance, May 31, 2018 and February 28, 2019	\$	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 February 28, 2019 and May 31, 2018 and has determined that KCA was not impaired as at February 28, 2019, and May 31, 2018. The Company determined that Omega was impaired as at May 31, 2018 and February 28, 2019 and determined that its recoverable amount was \$Nil.

**Certive Solutions Inc.**

Notes to condensed consolidated interim financial statements February 28, 2019

*(Unaudited - Expressed in U.S. Dollars)***7. SOFTWARE DEVELOPMENT**

	<b>Software Development</b>
<b><u>Cost:</u></b>	
Balance at May 31, 2017	\$ 548,719
Additions	24,597
<b>Balance at May 31, 2018 and February 28, 2019</b>	<b>\$ 573,316</b>
<b><u>Accumulated Amortization:</u></b>	
Balance at May 31, 2017	\$ 114,969
Amortization	85,414
Balance at May 31, 2018	200,383
Amortization	58,707
<b>Balance at February 28, 2019</b>	<b>\$ 259,090</b>
<b><u>Net Book Value:</u></b>	
At May 31, 2018	\$ 372,933
<b>At February 28, 2019</b>	<b>\$ 314,226</b>

**8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	<b>February 28, 2019</b>	<b>May 31, 2018</b>
Accounts payable (Note 14)	\$ 1,815,191	\$ 1,711,654
Accrued Liabilities	939,508	638,231
Payroll Liabilities	399,039	323,296
	<b>\$ 3,153,738</b>	<b>\$ 2,673,181</b>

## Certive Solutions Inc.

Notes to condensed consolidated interim financial statements February 28, 2019

*(Unaudited - Expressed in U.S. Dollars)*

---

### 9. NOTES PAYABLE

During the year ended May 31, 2018, the Company and the former owner of Omega Technologies Solution, LLC (“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 nine-months ended February 28, 2019, the Company issued the following convertible notes:

- Convertible promissory note of \$60,000 on June 1, 2018, from a current officer and director of the Company (Note 14), maturing on May 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, \$3,825 was recorded as the equity component of the loan, and \$56,175 was 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 current officer and director of the Company (Note 14), maturing on May 19, 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, \$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 current officer and director of the Company (Note 14), maturing on May 27, 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, \$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%.



## Certive Solutions Inc.

Notes to condensed consolidated interim financial statements February 28, 2019

(Unaudited - Expressed in U.S. Dollars)

---

### 10. CONVERTIBLE DEBT (cont'd...)

- Convertible promissory note of \$50,000 on July 11, 2018 maturing on July 11, 2019. The note bears simple interest at 18% 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 lower of \$0.06 per share or the price per share on the date of conversion, at the option of the lender. Of the total amount of the convertible note, \$653 was recorded as the equity component of the loan, and \$49,347 was recorded as a liability, using an effective interest rate of 18%.
- Convertible promissory note of \$50,000 on July 11, 2018 maturing on July 11, 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 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, \$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 July 16, 2018, from a current member of the Company's advisory council (Note 14), maturing on July 16, 2019. The note bears simple interest at 15% 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, \$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 current officer and director of the Company (Note 14), maturing on July 16, 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, \$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 current officer and director of the Company (Note 14), maturing on July 29, 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, \$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 current officer and director of the Company (Note 14), maturing on July 30, 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, \$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%.



## Certive Solutions Inc.

Notes to condensed consolidated interim financial statements February 28, 2019

*(Unaudited - Expressed in U.S. Dollars)*

---

### 10. CONVERTIBLE DEBT (cont'd...)

- Convertible promissory note of \$25,000 on September 7, 2018, maturing on August 30, 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 \$100,000 on October 10, 2018, from a current member of the Company's advisory council (Note 14), maturing on February 26, 2020. 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, \$9,572 was recorded as the equity component of the loan, and \$90,9428 was recorded as a liability, using an effective interest rate of 15%.
- Convertible promissory note of \$50,000 on October 11, 2018, from a current member of the Company's advisory council (Note 14), maturing on February 26, 2020. 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, \$4,786 was recorded as the equity component of the loan, and \$45,214 was recorded as a liability, using an effective interest rate of 15%.
- Convertible promissory note of \$100,000 on December 13, 2018, from a current member of the Company's advisory council (Note 14), maturing on February 26, 2020. 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, \$8,410 was recorded as the equity component of the loan, and \$91,590 was recorded as a liability, using an effective interest rate of 15%.
- Convertible promissory note of \$50,000 on January 25, 2019 maturing on February 28, 2020. 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 \$0.05 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, \$3,769 was recorded as the equity component of the loan, and \$46,231 was recorded as a liability, using an effective interest rate of 15%.
- Convertible promissory note of \$20,000 on January 30, 2019 maturing on January 30, 2021. 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, \$2,781 was recorded as the equity component of the loan, and \$17,219 was recorded as a liability, using an effective interest rate of 15%.

## Certive Solutions Inc.

Notes to condensed consolidated interim financial statements February 28, 2019

*(Unaudited - Expressed in U.S. Dollars)*

---

### 10. CONVERTIBLE DEBT (cont'd...)

- Convertible promissory note of \$20,000 on January 30, 2019 maturing on January 30, 2021. 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, \$2,781 was recorded as the equity component of the loan, and \$17,219 was recorded as a liability, using an effective interest rate of 15%.
- Convertible promissory note of \$100,000 on February 26, 2019 maturing on February 26, 2021. 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, \$13,905 was recorded as the equity component of the loan, and \$86,095 was recorded as a liability, using an effective interest rate of 15%.
- Convertible promissory note of \$120,000 on February 28, 2019, from a current officer and director of the Company (Note 14), maturing on February 28, 2021. 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, \$3,769 was recorded as the equity component of the loan, and \$103,314 was recorded as a liability, using an effective interest rate of 15%.
- Convertible promissory note of \$25,000 on February 14, 2019 maturing on February 14, 2021. 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, \$3,476 was recorded as the equity component of the loan, and \$21,524 was recorded as a liability, using an effective interest rate of 15%.

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 on June 15, 2017 into a convertible promissory note on February 28, 2018, maturing on February 26, 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.

## Certive Solutions Inc.

Notes to condensed consolidated interim financial statements February 28, 2019

*(Unaudited - Expressed in U.S. Dollars)*

---

### 10. CONVERTIBLE DEBT (cont'd...)

- The Company converted an advance of \$157,640 (CDN\$200,000), made on June 15, 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 26, 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.
- The Company converted advances of \$82,500 made on August 15, 2017 into convertible promissory notes on February 28, 2018 maturing on February 26, 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.

## Certive Solutions Inc.

Notes to condensed consolidated interim financial statements February 28, 2019

*(Unaudited - Expressed in U.S. Dollars)*

---

### 10. CONVERTIBLE DEBT (cont'd...)

- The Company converted an advance of \$60,000 made on August 15, 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 on October 4, 2017, from the current officer and director of the Company (Note 14), into a convertible promissory note on February 26, 2018 maturing on February 26, 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.
- The Company converted an advance of \$295,575 (CDN\$375,000), made on October 16, 2017 into a convertible promissory note on February 28, 2018, maturing on February 26, 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 remainder 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.

## Certive Solutions Inc.

Notes to condensed consolidated interim financial statements February 28, 2019

*(Unaudited - Expressed in U.S. Dollars)*

---

### 10. CONVERTIBLE DEBT (cont'd...)

- The Company converted an advance of \$50,000 made on November 2, 2017 into a convertible promissory note on February 28, 2018 maturing on February 26, 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 on November 24, 2017 into a convertible promissory note on November 24, 2017 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 \$0.04 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 on March 26, 2018 with a maturity date of March 26, 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%.
- Convertible promissory note of \$100,000 on March 28, 2018, from a current officer and 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 on March 29, 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 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%.



## Certive Solutions Inc.

Notes to condensed consolidated interim financial statements February 28, 2019

*(Unaudited - Expressed in U.S. Dollars)*

---

### 10. CONVERTIBLE DEBT (cont'd...)

- Convertible promissory note of \$25,000 on March 29, 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 on March 30, 2018, from a current member of the Company's advisory council (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 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 on April 20, 2018 maturing on April 20, 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 on May 4, 2018, from a current director 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%.
- Convertible promissory note of \$7,500 on May 21, 2018, from a current 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 on May 31, 2018, from a current 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%.

## Certive Solutions Inc.

Notes to condensed consolidated interim financial statements February 28, 2019

(Unaudited - Expressed in U.S. Dollars)

### 10. CONVERTIBLE DEBT (cont'd...)

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 on May 1, 2017, the Company extend this maturity of this note to February 26, 2020 and issued 524,000 warrants valued at \$4,802.
- For the convertible note of \$100,000 issued on March 20, 2017, the Company extend this maturity of this note to February 26, 2020 and issued 350,000 warrants valued at \$3,201.

As at February 28, 2019 and May 31, 2018, the Company has the following convertible notes outstanding:

	February 28, 2019		May 31, 2018	
Convertible notes over due	\$	1,315,109	\$	699,060
Convertible notes due within 12 months of year end date		2,362,469		1,028,194
Convertible notes due after 12 months from year end		248,524		1,211,801
Transaction costs and bond discounts		(195,290)		(411,913)
	\$	3,730,812	\$	2,527,142

Since the notes are convertible at any time of the duration of the note holder, all amounts have been recorded as current liabilities.

### 11. SHORT-TERM LOANS

The loans are made up of the following:

	February 28, 2019		May 31, 2018	
Loans from related parties (Note 14) <sup>(1)</sup>	\$	274,776	\$	31,326
Loans from other entities <sup>(2)</sup>		214,049		8,000
	\$	488,825	\$	139,326

<sup>(1)</sup> Of these short-term loans to related parties, \$132,924 are non-interest bearing advances to the Company, due on demand, while the remaining \$141,852 have an interest rate of 12% and are due on demand.

<sup>(2)</sup> Of these short-term loans from other parties, \$8,000 are non-interest bearing advances to the Company, due on demand, while the remaining \$206,049 have an interest rate of 12% and are due on demand.

## Certive Solutions Inc.

Notes to condensed consolidated interim financial statements February 28, 2019

(Unaudited - Expressed in U.S. Dollars)

### 12. SHARE CAPITAL

a) Common stock

Authorized - Unlimited common shares without par value.

During the nine-months ended February 28, 2019, the Company had the following share capital transactions:

- The Company had 328,496 shares returned from a foreign corporation, valued at \$9,855.
- The Company issued the 3,125,000 shares that were to be issued, valued \$98,525 as transaction costs on convertible notes.
- The Company issued 374,326 shares valued at \$7,772 for consulting fees.
- The Company issued 1,300,000 shares valued at \$240,000 for acquisition of Omega, that were previously recorded as other equity reserves.
- The Company reached a settlement agreement with a vendor, whereby the Company will issue 1,000,000 shares in settled of outstanding debt owing. As at February 28, 2019, these shares had not yet issued, and the debt is not considered cancelled until such issuance of these shares. As a result, this has not been recorded as at February 28, 2019.

During the nine-months ended February 28, 2018, 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 2,240,667 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, May 31, 2018	32,257,994	\$	0.10
Expired	(9,091,260)		0.22
Outstanding, February 28, 2019	23,166,734	\$	0.05

As at February 28, 2019, the Company had the following share purchase warrants outstanding:

Outstanding	Exercise Price	Remaining Life (Years)	Expiry Date
6,666,734	CDN\$0.06	0.99	February 26, 2020
875,000	\$0.15	0.99	February 26, 2020
4,250,000	\$0.06	0.99	February 26, 2020
9,375,000	CAD\$0.04	0.99	February 26, 2020
2,000,000	\$0.05	0.99	February 26, 2020
23,166,734	\$0.05	0.99	



## Certive Solutions Inc.

Notes to condensed consolidated interim financial statements February 28, 2019

(Unaudited - 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 10 years and vesting provisions 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 nine-months ended February 28, 2019:

	Number of Stock Options	Weighted Average Exercise Price
Outstanding, May 31, 2018, and May 31, 2017	11,102,493	\$0.19
Expired	(4,750,000)	CDN\$0.25
Issued	4,400,000	CDN \$0.05
Outstanding February 28, 2019	10,752,493	\$0.13

At February 28, 2019, the following stock options were outstanding to directors, officers and employees:

Outstanding	Exercisable	Exercise Price	Remaining Life (Years)	Expiry Date
3,243,784	3,243,784	CDN\$0.25	1.84	December 31, 2020
500,000 <sup>(1)</sup>	500,000	CDN\$0.25	1.39	July 20, 2020
508,709 <sup>(1)</sup>	508,709	CDN\$0.25	0.16	April 29, 2019
2,100,000	2,100,000	\$0.22	2.54	September 13, 2021
4,400,000	-	CDN\$0.05	9.93	January 29, 2029
10,752,493	6,352,493	\$0.13	5.19	

<sup>(1)</sup>During the period ended February 28, 2019 these stock options were removed from the tranche expiring on December 31, 2020, due to the cessation of certain directors, and hence their expiry dates were accelerated.

The Company recognizes compensation expense for all stock options granted using the fair value-based method of accounting. No stock options were granted during the nine-months ended February 28, 2018. During the nine-months ended February 28, 2019, the following stock options were granted:

On January 29, 2019, the Company granted 4,400,000 of stock options to the Company's executive management and independent directors exercisable at CDN\$0.05 for 10 years. Of these options, 200,000 stock options granted to independent directors' vest at the next Annual General Meeting of the shareholders and as a result, no share-based compensation has been recorded as of February 28, 2019. The remaining 4,200,000 of stock options granted to executive management will vest only if the Company's share price sustains at or above US\$0.30 for a 45-consecutive day period on a volume weighted basis prior to January 29, 2021. The Company has determined that the probability of achieving this share price is nil, and as a result has not recorded any share-based compensation in connection with these options.

## Certive Solutions Inc.

Notes to condensed consolidated interim financial statements February 28, 2019

(Unaudited - Expressed in U.S. Dollars)

### 12. SHARE CAPITAL (cont'd...)

#### 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 \$600,000 for shares to be issued upon the conversion of the Omega note. During the period ended February 28, 2019, the Company issued 1,300,000 common shares valued at \$240,000, which were previously held to be issued in conjunction with the acquisition of Omega.

### 13. DERIVATIVE LIABILITY

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 February 28, 2019 and May 31, 2018 is as follows:

As at February 28, 2019:

Expiration Date	Exercise price	Number of securities exercisable/convertible	Fair value as at February 28, 2019
March 23, 2019	CDN\$0.15	2,666,667	\$ 767
February 26, 2020	CDN\$0.06	6,666,734	113,227
February 26, 2020	CDN\$0.04	9,375,000	173,223
		18,708,401	\$ 287,217

These securities were valued using the Black Scholes option pricing model with a weighted average expected volatility of 255.40%, discount rate of 1.87%, expected life of 0.85 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
January 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	6,666,734	126,163
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%.

## Certive Solutions Inc.

Notes to condensed consolidated interim financial statements February 28, 2019

(Unaudited - Expressed in U.S. Dollars)

### 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:

<b>Name</b>	<b>Position and nature of relationship</b>
Bridge Business Development	Company controlled by former director
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
Jeff Benton	Advisory council member
Arthur Pelberg	Advisory council member
Bob Uxa	Advisory council member
Jack Chapman	Advisory council member
Steve Schramm	Advisory council member
Don Gilbert	Advisory council member

## Certive Solutions Inc.

Notes to condensed consolidated interim financial statements February 28, 2019

(Unaudited - Expressed in U.S. Dollars)

### 14. RELATED PARTY TRANSACTIONS (cont'd...)

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

		February 28, 2019	May 31, 2018
	<b>Nature of relationship</b>		
Accounts payable (Note 8)	Directors, key management personnel, and companies controlled by these parties,	\$ 807,416	\$ 716,072
Convertible loans – face value (Note 10)	Directors	\$ 522,500	\$ 207,500
Convertible loans – face value (Note 10)	Advisory council members	\$ 425,000	\$ 125,000
Note payable (Note 9)	Key management personnel	\$ 500,000	\$ 500,000
Short-term loans payable (Note 11)	Key management personnel	\$ 314,973	\$ 106,326
Short-term loans payable (Note 11)	Former director and former officer	\$ 24,000	\$ 25,000
Short-term loans payable (Note 11) <sup>(1)</sup>	Directors	\$ 141,852	\$ -

<sup>(1)</sup> These short-term loans payable are due on demand and have an interest rate of 12% per annum.

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 nine-months ended February 28, 2019 and 2018 other than as follows:

	February 28, 2019	February 28, 2018
Management fees	\$ 122,000	\$ 429,000
Salaries to key management personnel, included in operating costs and expenses	283,203	205,385
Consulting fees	143,723	-
Directors' fees	10,000	152,200
Advisory board fees to a former advisory council member, and current director.	12,000	60,000
<b>Total</b>	<b>\$ 570,926</b>	<b>\$ 846,585</b>

During the period of February 28, 2019, there was a recovery of accounts payable of \$9,855 due to related parties, as a result of primarily recorded bonus shares not being issued.

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

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

In order to maximize ongoing efforts, the Company does not pay out dividends. The Company's investment policy is to keep its cash treasury invested in demand certificates of deposit with major financial institutions. No changes to the Company's approach to capital management occurred during the nine-months ended February 28, 2019.

## **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 cash, receivables, marketable securities, accounts payable, convertible debt, short and long-term loans, and notes payable.

The fair values of cash and marketable securities are 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. The long-term portion of the Company's note payable approximates its fair value as is non-interest bearing.

### *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.

#### *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 February 28, 2019, the Company has approximately CDN\$3,090,000 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 \$234,000.

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

c) *Market risk (cont'd...)*

(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. SUBSEQUENT EVENTS**

- The Company entered into a convertible promissory note of \$25,000 on March 14, 2019, maturing on March 14, 2021. 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.
- The Company entered into a convertible promissory note of \$100,000 on March 12, 2019, maturing on March 12, 2021. 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.
- The Company entered into a convertible promissory note of \$20,000 on March 27, 2019, maturing on March 27, 2021. 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.
- The Company entered into a convertible promissory note of \$300,000 on March 26, 2019, maturing on March 26, 2021. 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.
- The Company entered into a convertible promissory note of \$25,000 on March 14, 2019, maturing on March 14, 2021. 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.

## **Certive Solutions Inc.**

Notes to condensed consolidated interim financial statements February 28, 2019

*(Unaudited - Expressed in U.S. Dollars)*

---

### **17. SUBSEQUENT EVENTS (cont'd...)**

- The Company entered into a convertible promissory note of \$100,000 on April 8, 2019, maturing on April 8, 2021. 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.
- The Company and the former owner of the Omega assets amended the Asset Purchase Agreement related to the Company's acquisition of the Omega assets. The Company and the former owner of the Omega assets amended the Asset Purchase Agreement related to the Company's acquisition of the Omega assets. In accordance with the amendment, the Company made a \$50,000 payment on March 14, 2019 to the former owner of the Omega assets and agreed to pay \$50,000 on May 31, 2019, August 31, 2019, November 30, 2019 and February 29, 2020. With respect to the other \$250,000 due, 25% of Omega's net income will be paid quarterly starting March 1, 2019 and ending on August 31, 2020, when any remaining balance is due.
- The Company previously initiated a claim against three former Directors to recover losses incurred by the Company in connection with services performed and expenses incurred for another Canadian publicly-traded entity, which were not fully reimbursed to the Company and previously written off by the Company. Subsequent to February 28, 2019, the Company settled its claim with one of the three former Directors for a recovery of accounts payable due the Director in the amount of \$139,500.