Certive Solutions Inc.

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

For the years ended May 31, 2022 and 2021

BFBorgers CPA PC
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Certive Solutions Inc.:

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Certive Solutions Inc. (the "Company"), which comprise the consolidated statements of financial position as at May 31, 2022, and the consolidated statements of loss and comprehensive loss, consolidated statements of cash flow, and the consolidated statement of changes in shareholders' deficit for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Company as at May 31, 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

Without qualifying our opinion, we draw attention to Note 1 to the consolidated financial statements which indicates the existence of a material uncertainty that may cast significant doubt about Certive Solutions Inc.'s ability to continue as a going concern.

Information other than the Consolidated Financial Statements and the Auditor's Report thereon

Management is responsible for the other information. The other information comprises the information, other than the consolidated financial statements and our auditor's report thereon, included in Management's discussion and analysis report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's discussion and analysis report prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;

- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- Obtain sufficient appropriate audit evidence regarding the financial statement information of the entities or business activities within the Company to express an opinion on the consolidated financial statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Ben Borgers.

B F Borgers CPA PC

November 30, 2022
Lakewood, Colorado, USA

Certive Solutions Inc.
Consolidated Statements of Financial Position as at
(Expressed in U.S. Dollars)

	Notes	May 31, 2022	May 31, 2021
ASSETS			
Current assets			
Cash		**$ 10,462**	$ 1,935
Marketable securities	4	**3,037**	36,785
Receivables, net of allowance	5	**282,084**	404,091
Restricted assets	18	**187,500**	-
Prepayments		**122,304**	40,532
Total current assets		**605,387**	483,343
Non-current assets			
Receivable from sale of KCA	5	**90,530**	95,801
Intangible asset - software development	6	**52,570**	130,848
Total assets		**$ 748,487**	$ 709,992
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	7,14,18	**$ 3,871,065**	$ 2,618,380
Convertible debt	8, 14	**4,475,064**	4,237,090
Short term loans	9,14	**807,572**	915,891
Notes payable – current portion	10, 14	**309,556**	300,000
Derivative liability	12	**-**	230,574
Total current liabilities		**9,463,257**	8,301,935
Non-current liabilities			
Note payable – long term portion	10	**243,056**	150,000
Total liabilities		**9,706,313**	8,451,935
Shareholders' deficit			
Share capital	11	**25,012,792**	24,311,081
Reserve - Transactions costs		**(655,877)**	(655,877)
Reserve - Share options	11	**2,180,167**	1,880,841
Reserve - Share warrants	11	**728,387**	728,387
Contributed surplus		**766,829**	766,829
Equity portion of convertible debt		**880,730**	618,879
Deficit		**(37,870,854)**	(35,392,083)
Total shareholders' deficit		**(8,957,826)**	, (7,741,943)
Total deficit and liabilities		**$ 748,487**	$ 709,992

Nature of operations and going concern (Note 1)
Subsequent events (Note 20)

APPROVED ON BEHALF OF THE BOARD:

"Tim Hyland" Director & CFO "Tom Marreel" Chairman of the Board & CEO

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

Certive Solutions Inc.
Consolidated Statements of Loss for the Years Ended
(Expressed in U.S. Dollars)

	Notes		May 31, 2022		May 31, 2021
REVENUE					
Lost charge recovery revenue		$	**1,200,668**	$	1,756,176
COST OF REVENUE					
Commissions			**25,112**		36,635
Contractor and consultant fees			**59,660**		50,760
Direct payroll and employee benefits			**1,321,357**		1,523,054
License fees			**105**		150
Total cost of revenue			**1,406,234**		1,610,599
Gross (loss) profit			**(205,566)**		145,577
OPERATING EXPENSES					
Amortization	6		**78,278**		78,276
Depreciation			**-**		5,452
Bad debt expense			**84,701**		228,577
Bank charges and interest	8,9,10		**894,042**		768,235
Consulting fees	14		**132,000**		90,000
Foreign exchange (gain) loss			**(160,081)**		363,598
General and administrative			**222,224**		207,279
Professional fees			**155,301**		46,882
Rent	15		**31,686**		26,249
Salaries and wages	14		**945,818**		795,984
Sales and marketing			**36,848**		18,653
Share-based compensation	11, 14		**299,326**		9,038
Transfer agent and filing fees			**67,696**		31,315
Travel and promotion			**629**		3,681
Total operating expenses			**2,788,468**		2,673,219
Loss from operations			**(2,994,034)**		(2,527,642)
OTHER INCOME (EXPENSE)					
Derivative liability recovery	12		**230,575**		44,909
Gain from settlement/restructure/forgiveness of debt			**402,248**		-
PPP loan forgiveness	10		**-**		380,761
Gain from settlement of accounts payable			**36,035**		20,093
Unrealized gain (loss) on marketable securities	4		**(35,595)**		33,743
Unrealized gain (loss) on restricted assets			**(118,000)**		-
Other income			**-**		3,208
Recovery of rent expense			**-**		1,552
Other income, net			**515,263**		484,266
NET LOSS		**$**	**(2,478,771)**	$	(2,043,376)
Basic and diluted loss per common share		**$**	**(0.01)**	$	(0.01)
Weighted average number of common shares outstanding			**146,168,102**		139,701,472

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

Certive Solutions Inc.
Consolidated Statements of Cash Flows for the Years Ended
(Expressed in U.S. Dollars)

		May 31, 2022		May 31, 2021
CASH FLOWS USED IN OPERATING ACTIVITIES				
Net loss	**$**	**(2,478,771)**	$	(2,043,376)
Adjustments for				
Amortization and depreciation		**78,278**		83,728
Share based compensation expenses		**299,326**		9,038
Accretion and transaction cost		**111,976**		236,854
Accretion on leases		**-**		107
Derivative		**(230,575)**		(44,909)
Foreign exchange		**(160,081)**		116,426
Gain from settlement/restructure and write off of debt		**(438,283)**		(20,093)
Unrealized loss (gain) on marketable securities		**35,595**		(33,743)
Unrealized loss (gain) on restricted assets		**118,000**		-
Bad debt expense		**84,701**		-
PPP loan forgiveness		**-**		(380,761)
Other recoveries		**-**		(3,208)
Recovery on rent expenses		**-**		(1,552)
Changes in non-cash working capital:				
Receivables		**122,007**		15,874
Prepayments		**(81,772)**		65,211
Accounts payable and accrued liabilities		**1,294,393**		818,753
Net cash used in operating activities		**(1,363,206)**		(1,181,651)
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES				
Cash received from KCA		**5,270**		10,259
Net cash provided by investing activities		**5,270**		10,259
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES				
Proceeds from convertible debt, net		**576,681**		397,234
Proceeds from long-term loan		**-**		160,000
Proceeds from short-term loan, net		**287,406**		591,042
Proceeds from officers in accounts payable		**384,376**		-
Lease payments made		**-**		(4,244)
Net cash provided by financing activities		**1,248,463**		1,144,032
CHANGE IN CASH DURING THE YEAR		**8,527**		(27,360)
CASH, BEGINNING OF YEAR		**1,935**		29,295
CASH, END OF YEAR	**$**	**10,462**	$	1,935
Supplemental disclosure of cash flow information				
Cash paid for interest	**$**	**119,256**	$	120,418
Cash paid for income taxes	**$**	**-**	$	-

Non-cash transactions affecting cash flows from financing and investing activities for the year ended May 31, 2022:

- The Company issued 15,019,341 shares through converting $701,711 of convertible debt, which included principal and accrued interest (Note 11)

Non-cash transactions affecting cash flows from financing and investing activities for the year ended May 31, 2021:

- The Company issued 6,519,578 shares through converting $335,863 of convertible debt, which included principal and accrued interest (Note 11).
- $55,375 was transferred from short-term loans to convertible debt (Note 8).

Certive Solutions Inc.
Consolidated Statements of Changes in Shareholders' Deficit
For the years ended May 31, 2022 and 2021 *(Expressed in U.S. Dollars)*

	Capital Stock								
	Number of Shares	**Amount**	**Reserve – Transaction Costs**	**Reserve – Share Options**	**Reserve – Warrants**	**Contributed Surplus**	**Equity Portion of Convertible Debt**	**Accumulated Deficit**	**Total Shareholders' Deficit**
Balance as at May 31, 2020	**137,885,114**	**$ 23,923,918**	**$ (655,877)**	**$ 1,871,803**	**$ 728,387**	**$ 766,829**	**$ 599,654**	**$ (33,348,707)**	**$ (6,113,993)**
Convertible debt issued	-	-	-	-	-	-	70,525	-	70,525
Shares issued for the conversion of convertible debt	6,519,578	335,863	-	-	-	-	-	-	335,863
Share based compensation	-	-	-	9,038	-	-	-	-	9,038
Equity portion of shares issued for conversion of debt	-	51,300	-	-	-	-	(51,300)	-	-
Net loss	-	-	-	-	-	-	-	(2,043,376)	(2,043,376)
Balance as at May 31, 2021	**144,404,692**	**$ 24,311,081**	**$ (655,877)**	**$ 1,880,841**	**$ 728,387**	**$ 766,829**	**$ 618,879**	**$ (35,392,083)**	**$ (7,741,943)**
Shares issued for the conversion of convertible debt	**15,019,341**	**701,711**	-	-	-	-	-	-	**701,711**
Equity portion of shares issued for conversion of debt	-	-	-	-	-	-	**261,851**	-	**261,851**
Share based compensation	-	-	-	**299,326**	-	-	-	-	**299,326**
Net loss	-	-	-	-	-	-	-	**(2,478,771)**	**(2,478,771)**
Balance as at May 31, 2022	**159,424,033**	**$ 25,012,792**	**$ (655,877)**	**$ 2,180,167**	**$ 728,387**	**$ 766,829**	**$ 880,730**	**$ (37,870,854)**	**$ (8,957,826)**

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

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 currently provides services to hospital clients enhancing the efficiency and effectiveness of lost charge recovery services, in revenue sharing relationships that improve hospital clients' net operating results.

The Company's mailing address and records office is 8149 North 87th Place, Scottsdale, Arizona 85258.

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

These 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 May 31, 2022, the Company had a working capital deficit of ($8,857,870), a loss for the year of ($2,478,771) and a total shareholders' deficit of ($8,957,826). As at May 31, 2021, the Company had a working capital deficit of ($7,818,592), a loss for the year of ($2,043,376) and a total shareholders' deficit of ($7,741,943).

Management of the Company does not expect that cash flows from 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. There is also uncertainty as to the effects of the novel coronavirus ("COVID-19") outbreak which may, among other things, impact the Company's operations and ability to raise further financing (see Note 11). 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

These consolidated financial statements, including comparatives have been prepared in accordance with International Accounting Standards ("IAS") 1, "Presentation of Consolidated Financial Statements" using accounting policies consistent with IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

The consolidated financial statements have been prepared on a historical cost basis except for certain financial 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.

These consolidated financial statements were reviewed and approved and authorized for issue by the Board of Directors of the Company on December 9, 2022.

2. BASIS OF PRESENTATION (cont'd…)

b) Significant accounting judgments 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 Judgments

The preparation of these consolidated financial statements requires management to make judgments regarding the going concern of the Company, as previously discussed in Note 1.

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 with 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:

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 intangible assets

Estimates of the useful lives of 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 factors 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, 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) 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.

For the years ended May 31, 2022 and 2021 (Expressed in U.S. Dollars)

2. BASIS OF PRESENTATION (cont'd…)

b) Significant accounting judgments and estimates

v) 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.

vi) 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.

vii) Right-of-use assets

On adoption of IFRS 16, the Company recognized the lease liabilities on leases that were previously classified as operating leases under IAS 17. The liabilities were measured at the present value of the remaining lease payments and using a discount rate of 15%. The Company had two office leases that were classified as finance leases effective as at June 1, 2019. The Company has no leases accounted for under IFRS 16 as of May 31, 2022. (Note 15)

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 its subsidiaries is the U.S. dollar.

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	May 31, 2022 Interest %	May 31, 2021 Interest %	Principal Activity
Certive Solutions Inc. (the parent company)	British Columbia, Canada	N/A	N/A	Management solutions
Certive Health Inc.	Arizona, United States	100%	100%	Management solutions
Certive Health Revenue Solutions Inc. (formally "Omega Technology Solutions Inc.")	Arizona, United States	100%	100%	Healthcare revenue cycle management solutions
Certive Health Compliance Solutions Inc.	Arizona, United States	100%	N/A	Selling and servicing a cybersecurity suite of products to the healthcare industry
Advantive Information Systems Inc.	Arizona, United States	100%	100%	Dormant

3. SIGNIFICANT ACCOUNTING POLICIES

a) Cash

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

b) Intangible assets

Separately acquired intellectual property and technological assets are recorded at historical cost. Intellectual property and technological assets acquired in a business combination are recognized at fair value at the acquisition date. Technological assets have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of the items over their estimated useful lives of seven years.

c) Financial instruments

Financial assets and financial liabilities are recognized on the consolidated statements of financial position when the Company becomes a party to the contractual provisions of the financial instrument.

The Company adopted all of the requirements of IFRS 9 Financial Instruments (“IFRS 9”) as of June 1, 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward-looking “expected loss” impairment model. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company’s accounting policy with respect to financial liabilities is unchanged. As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively, for any assets that continued to be recognized at the date of initial application. The change did not impact the carrying value of any financial assets or financial liabilities on the transition date.

The following is the Company’s new accounting policy for financial instruments under IFRS 9:

<u>Classification</u>

The Company classifies its financial instruments in the following categories: at fair value through profit and loss (“FVTPL”), at fair value through other comprehensive income (loss) (“FVTOCI”) or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company’s business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL

<u>Measurement</u>

i) Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

ii) Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of loss and comprehensive loss in the period in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

c) Financial instruments (cont'd…)

iii) Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

iv) Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

Impairment of Financial Assets at Amortized Cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the consolidated statements of loss and comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Derecognition

i) Financial Assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

ii) Financial Liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

The Company's financial assets and liabilities are recorded and measured as follows:

Asset or Liability	Category
Cash	FVTPL
Marketable securities	FVTPL
Receivables	FVTPL
Accounts payable	Amortized cost
Convertible debt	Amortized cost
Short term loans	Amortized cost
Note payable	Amortized cost
Derivative liability	FVTPL

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

c) Financial instruments (cont'd…)

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

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

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

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

Cash and marketable securities are measured at fair value using Level 1 inputs. The derivative liability has been measured at fair value using level 3 inputs (Note 16).

d) Loss per share

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

e) Share-based payment transactions

The Company grants stock options to buy common shares of the Company to directors, officers, employees, and service providers. The Company recognizes share-based compensation expense based on the estimated fair value of the options. A fair value measurement is made for each vesting instalment within each option grant and is determined using the Black-Scholes option-pricing model. The fair value of the options is recognized over the vesting period of the options granted as both share-based compensation expense and reserves. This includes a forfeiture estimate, which is revised for actual forfeitures in subsequent periods. The reserves account is subsequently reduced if the options are exercised and the amount initially recorded is then credited to capital stock.

In situations where equity instruments are issued to non-employees and some or all the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of the goods or services received.

f) Revenue recognition

The Company recognizes revenue when it has persuasive evidence of a contract with commercial substance, performance obligations have been identified and satisfied, payment items have been identified, and it is probable that the Company will collect the consideration it is entitled to.

Estimated revenue from lost charge recovery services are recognized at the time the Company's work effort is complete with respect to the identification and reporting of lost charges to its hospital clients for submission to their respective payers, which is referred to as Work-In-Progress (WIP). Revenue is estimated based on the lost charge amount, the contractual payment rate between the hospital and its payer, and the Company's contingency fee contracted with the hospital client. Based on historical collection percentages of the estimated revenue, the Company records an allowance.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

g) Income taxes

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

Deferred tax is recorded based on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; nor differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

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

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

h) Foreign exchange

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

i) Impairment

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are considered. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

i) Impairment (cont'd…)

Impairment losses of continuing operations are recognized in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to other comprehensive income. For such properties, the impairment is recognized in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Intangible assets are tested for impairment annually at the appropriate CGU level and when circumstances indicate that the carrying value may be impaired.

j) Leases

IFRS 16 – Leases. The scope of IFRS 16 includes leases of all assets, with certain exceptions. The Company adopted this standard effective June 1, 2019. 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. Right-of-use assets will be measured at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments. 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.

On transition, the Company elected to apply the practical expedient to grandfather the determination of which contract is or contains a lease and will apply IFRS 16 to those contracts that were previously identified as leases. The Company elected to apply the effect of changes retrospectively with the cumulative effect of initially applying the standards recognized to retained earnings at the date of initial application which is June 1, 2019 (Note 16). The right-of-use assets are measured on adoption at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments related to the lease recognized in the statement of financial position at adoption.

For the years ended May 31, 2022 and 2021 (Expressed in U.S. Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

j) Leases (cont'd…)

The following is the Company's accounting policy for leases under IFRS 16:

At inception of a contract, the Company assesses whether a contract is, or contains, a lease by determining whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. A right of use asset and lease liability is recognized at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right of use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, including periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. The lease payments are discounted using the implicit interest rate in the lease. If the rate cannot be readily determined, the Company's incremental rate of borrowing is used. The lease liability is measured at amortized cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

k) Future accounting pronouncements

A number of new standards, amendments to standards and interpretations may not yet be effective as of 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.

4. MARKETABLE SECURITIES

Cost:		
At May 31, 2020, 2021 and 2022	$	7,474
Fair value:		
Fair value at May 31, 2020	$	4,329
Unrealized gain		33,743
Foreign exchange loss		(1,287)
Fair value at May 31, 2021		36,785
Unrealized loss		(35,595)
Foreign exchange gain		1,847
At May 31, 2022	$	3,037

For the years ended May 31, 2022 and 2021 (Expressed in U.S. Dollars)

5. RECEIVABLES

Receivables, net of allowance, for the years ended May 31, 2022 and 2021:

		May 31, 2022		May 31, 2021
HST input tax credits	$	**13,160**	$	12,941
Trade receivables		**150,107**		23,360
Work in progress		**217,158**		545,417
Allowance for uncollectable WIP		**(98,341)**		(177,627)
	$	**282,084**	$	404,091

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

Receivable from sale of KCA:

During the year ended May 31, 2019, the Company entered into a Sale Agreement (the "Sale Agreement") to sell the stock of Knowledge Capital Alliance Inc. ("KCA") to KCA's president (the "Purchaser") effective as of May 31, 2019. The terms of the Sale Agreement are as follows:

The Company sold the original 100 shares received in the acquisition of KCA to the Purchaser for $1,200,000 (the "Purchase Price"). As such, all assets, liabilities, and business of KCA were transferred to the Purchaser by the Company effective as of May 31, 2019 and relinquished any rights or interest in the operating results of KCA that are earned on or after June 1, 2019. The 100 shares of stock in Knowledge Capital Alliance Inc. will remain in safekeeping with Trustee until the terms of the Sale Agreement are fulfilled.

The Purchase Price was made up as follows:

- The Purchaser transferred 900,000 shares of the Company back to the Company, at a value of $270,000
- Cash in the amount of $930,000 to be paid in monthly installments of net revenues as follows:

Annualize net revenue	Monthly percentage payment
Less than $400,000	3.0%
$400,000 - $499,999	5.0%
$500,000 - $750,000	7.5%
$750 001 - $1,000,000	10.0%
$1,000,001 - $2,000,000	12.5%
Greater than $2,000,000	15.0%

Following the final and full payment of $930,000, an on-going royalty of 5.0% of the net revenues shall be paid to the Company on a quarterly basis for a period of 12 quarters.

In the event that KCA is sold by the Purchaser prior to the payment of $930,000, the remainder of the payment will be due to the Company, in addition to 15% of the excess purchase price over $930,000.

The Company determined, based on the net revenues of KCA, that it will not collect the full $930,000. As a result, the Company estimated that the amount receivable was $112,851 as at May 31, 2019, based on a 5-year cash flow projection, using a discount rate of 20%, and 5-year projected revenues of KCA. The Company's receivable from KCA as at May 31, 2022 and 2021 is $90,530 and $95,801, respectively.

For the years ended May 31, 2022 and 2021 (Expressed in U.S. Dollars)

6. SOFTWARE DEVELOPMENT COSTS

Cost;		
At May 31, 2020, 2021 and 2022	$	573,316
Accumulated Amortization;		
At May 31, 2020		364,192
Amortization expense		78,276
At May 31, 2021		442,468
Amortization expense		78,278
At May 31, 2022		520,746
Net Value:		
At May 31, 2020	$	209,124
At May 31, 2021	$	130,848
At May 31, 2022	$	52,570

Historical capitalized software development costs is an allocation of the purchase price of the assets of Omega Technology Solutions LLC ("Omega") more fully described in Note 10. Such costs represent the proprietary software developed by Omega to identify and track lost charges for recovery by their hospital customers. They are being amortized over seven years on a straight-line basis.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		May 31, 2022		May 31, 2021
Accounts payable (Note 14)	$	**875,256**	$	347,875
Accrued liabilities		**1,922,232**		1,730,468
Payroll and payroll tax liabilities (Note 18)		**1,073,577**		540,037
	$	**3,871,065**	$	2,618,380

8. CONVERTIBLE DEBT

As at May 31, 2022 and 2021, the Company had the following convertible debt:

Description		Face value		Total liability May 31, 2022 (in US Dollars)		Total liability May 31, 2021 (in US Dollars)
Past due convertible note, convertible at CDN$0.25 per share, accruing interest at 5% per annum.	CDN$	30,000	$	--	$	24,852
Past due convertible note, convertible at CDN$0.50 per unit, with each unit consisting of one common share, and one common share purchase warrant, exercisable at CDN$0.55 for one year, accruing interest at 8% per annum.	CDN$	373,000		**294,894**		350,413
Past due convertible note, convertible at CDN$0.30 per share, accruing interest at 12% per annum.	CDN$	10,000		**7,906**		8,284
Past due convertible note, convertible at CDN$0.20 per share, accruing interest at 10% per annum until the maturity date, and 18% per annum thereafter	CDN$	400,000		**316,240**		331,360
Past due convertible note, convertible at CDN$0.15 per share, accruing interest at 10% per annum until the maturity date, and 18% per annum thereafter	CDN$	700,000		**553,420**		578,967
Past due convertible note, convertible at $0.03 per share, accruing interest of 15% per annum	$	50,000		**50,000**		50,000
Past due convertible note, convertible at $0.06 per share, accruing interest of 18% per annum	$	50,000		**50,000**		50,000
Past due convertible note, convertible at $0.04 per share, accruing interest of 10% per annum with interest compounding every six months	$	90,000		**90,000**		90,000
Past due convertible note, convertible at CDN$0.04 per share, accruing interest of 10% per annum until the maturity date, and 18% per annum thereafter	CDN$	375,000		**296,475**		310,650
Past due convertible note, convertible at CDN$0.06 per share, accruing interest of 10% per annum until the maturity date, and 18% per annum thereafter	CDN$	400,000		**316,240**		331,360
Mature in February 2020, convertible at $0.15 per share, accruing interest of 10% per annum until the maturity date, and 18% per annum thereafter (Note 15)	$	250,000		**-**		250,000
Mature in February 2024, convertible at $0.14, accruing interest of 10% per annum	$	128,207		**128,207**		-
Past due convertible note, convertible at $0.15 per share, accruing interest of 10% per annum until the maturity date, then 18% per annum thereafter	$	100,000		**100,000**		-
Mature in June 2020, convertible at $0.03 per share, accruing interest of 10% per annum	$	50,000		**-**		49,997
Mature on February 28, 2022, convertible at $0.03 per share, accruing interest of 10% per annum	$	253,561		-		240,897
Past due convertible note, convertible at $0.06 per share, accruing interest of 8% per annum (Note 15)	$	819,093		**327,625**		536,793
Mature on February 29, 2024, convertible at $0.14 per share, accruing interest of 12% per annum (Note 15)	$	747,052		**672,667**		642,372
Mature on August 31, 2024, convertible at $0.14 per share, accruing interest of 12% per annum (Note 15)	$	452,609		**406,420**		391,144
Mature on October 15, 2025, convertible at $0.14 per share, accruing interest of 10% per annum (Note 15)	$	1,144,447		**867,800**		-
Transaction Costs – Liability Portion		-		**(2,830)**		-
			$	**4,475,064**	$	4,237,089

As at May 31, 2022 and 2021, the Company has the following convertible notes outstanding:

		May 31, 2022		May 31, 2021
Convertible notes overdue	$	**2,402,800**	$	2,375,886
Convertible notes due within 12 months of period end		**-**		827,687
Convertible notes due after 12 months from period end		**2,072,264**		1,033,517
	$	**4,475,064**	$	4,237,090

8. CONVERTIBLE DEBT (cont'd…)

The Company uses the Black-Scholes model for recording its issuances of convertible debt. This model requires the value of the convertible feature of a note to be quantified and recorded as equity when the note is issued. Such amount is accreted over the term of the note on a straight-line basis to interest expense (known as accretion). Furthermore, if a note is issued at a discount, the amount of the discount is similarly amortized on a straight-line basis to interest expense over the term of the loan.

During the year ended May 31, 2022, the Company had the following convertible debt transactions:

The Company offered four-year 10% convertible promissory notes, the recognition of the fair value of the liability was made when the Company initially closed such offering effective October 15, 2021 (the "Closing Date"). The notes are due October 15, 2025, and, during the term, the unpaid principal and unpaid accrued interest, if any, may be converted into common shares of Certive at $0.14 per share. The notes are to be repaid from, among other sources, the lenders' pro rata share of 1/4 of the net cash collections from four of the Company's clients. The Company shall not be penalized for early repayment of any or all the notes. As of May 31, 2022, such offering represents $1,144,447 face value of convertible promissory notes and $867,800 of the liability. Two promissory notes originally dated May 3, 2017 for $75,000 and October 4, 2016 for $23,355 as well as $60,000 of funds owed a consultant in trade payables were debt settled into these 10% convertible promissory notes.

Effective on February 28, 2022, the Company and a Lender agreed to extend the due date of a convertible promissory note with original principal of $75,000 and unpaid accrued interest of $53,207 replacing a promissory note originally dated May 1, 2017. The new 10% promissory note dated February 28, 2022 has a principal balance of $128,207 and a due date of February 28, 2024 and may be converted into common stock of Certive at $0.14/share.

Effective on April 30, 2022, the Company and a Lender agreed to a renewal (extension) and consolidation promissory note replacing two convertible promissory notes of the Company. The new 8% promissory note dated April 30, 2022 has a principal balance of $102,613 (the consolidated unpaid principal and accrued interest of the two former notes) and a due date of May 1, 2026.

During the year ended May 31, 2021, the Company had the following convertible debt transactions:

The Company offered four-year 12% convertible promissory notes, the recognition of the fair value of the liability was made when the Company initially closed such offering effective February 29, 2020 (the "Closing Date"). The notes are due February 29, 2024, and, during the term, the unpaid principal and unpaid accrued interest, if any, may be converted into common shares of Certive at $0.14 per share. The notes are to be repaid from, among other sources, the lenders' pro rata share of 1/3 of the net cash collections from its 6-hospital clients in the Northeastern U.S. The Company shall not be penalized for early repayment of any or all the notes. As of May 31, 2021, such offering represents $1,199,661 (2020 - $747,052) face value of convertible promissory notes and $1,033,516 of the liability (2020 - $615,662).

In addition, Certive's Board of Directors approved a new non-brokered $1,000,000 Private Placement Offering of four-year 10% convertible promissory notes. During the term, the unpaid principal and unpaid accrued interest, if any, may be converted into common shares of Certive at $0.14/share. The notes are to be repaid from, among other sources, the lenders' pro rata share of 25% of the net cash collections from three recent new clients along with the Company's next new client, which shall be designated before the Offering's Closing. The Company shall not be penalized for early repayment of any or all the notes. As at May 31, 2021, the Company has received $273,808 from lenders intending to participate in such Offering, of which $69,000 was received from two Officers and Directors of the Company and $73,263 was received from an Advisory Council member. These amounts have been recorded in 10% short-term loans disclosed in Note 9 below.

For the years ended May 31, 2022 and 2021 (Expressed in U.S. Dollars)

9. SHORT-TERM LOANS

The loans are made of the following:

		May 31, 2022		May 31, 2021
Loans from related parties (Note 14) (1)	$	**344,861**	$	554,512
Loans from other entities (2)		**462,711**		361,379
	$	**807,572**	$	915,891

(1) As at May 31, 2022, of the total short-term loans from related parties, $80,861are noninterest-bearing advances to the Company, which are due on demand. Of the remaining $264,000, $114,000 have an interest rate of 12% and $150,000 have an interest rate of 10% and all are due on demand. As at May 31, 2021, of the total short-term loans from related parties, $299,250 are noninterest-bearing advances to the Company, which are due on demand. Of the remaining $255,262, $113,000 have an interest rate of 12% and $142,262 have an interest rate of 10% and all are due on demand.

(2) As at May 31, 2022, of the total short-term loans from other parties, $83,000 are noninterest-bearing advances to the Company, which are due on demand. Of the remaining $379,711, $125,000 have an interest rate of 12% and $250,000 have an interest rate of 10% and all are due on demand. The remaining $4,711 is a line of credit owing to a financial institution that bears interest at 4% per annum. As at May 31, 2021, of the total short-term loans from other parties, $100,000 are noninterest-bearing advances to the Company, which are due on demand. Of the remaining $261,379, $125,000 have an interest rate of 12% and $131,525 have an interest rate of 10% and all are due on demand. The remaining $4,854 is a line of credit owing to a financial institution that bears interest at 4% per annum.

10. NOTES PAYABLE

During the year ended May 31, 2016, the Company completed the acquisition of the assets 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's assets, which was converted into 10,000,000 common shares of the Company. In addition, 1,300,000 common shares of the Company, with a deemed value of $240,000, were issued as directed by the former owner of Omega's assets.

The Company also agreed to make payments totaling $500,000, which when paid, will be full settlement of any amounts owed between the Company and the former owner of Omega's assets as follows:

- $50,000 to be paid during the year ended May 31, 2019 (paid);
- $50,000 to be paid on May 31, 2019 (paid);
- $50,000 to be paid on August 31, 2019 (paid in January 2020);
- $50,000 to be paid on November 30, 2019 (paid in January 2020); and
- $50,000 to be paid on February 29, 2020 (past due).
- With respect to the remaining $250,000, 25% of Omega's net income will be paid quarterly through August 31, 2020, when any remaining balance becomes due (past due).

As at May 31, 2022 and 2021, the remaining unpaid balance of $300,000 is included in notes payable – current portion (Note 14).

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10. NOTES PAYABLE (cont'd…)

On July 26, 2020, the Company was awarded a $150,000 SBA EIDL with an interest rate of 3.75%, repayments deferred for one year and then monthly payments based on a 30-year term loan. As at May 31, 2022 and 2021, the long-term portion of the note payable was $148,681 and $150,000, respectively, and the current portion of the note payable was $1,319 and $0, respectively. During the month of April 2021, the SBA announced that it was extending the first payment due date for the EIDL for 30 months from the loan date. Under these updated terms, the Company would not be expected to make the first EIDL payment until December 2022.

As described more fully in Note 9, the Company and a Lender agreed on a loan consolidation and extension agreement on April 30, 2022, whereby two convertible promissory notes with principal and unpaid accrued interest of $102,612 were replaced by a non-convertible promissory note, which as of May 31, 2022, the long-term of the note payable was $94,377 and the current portion of the note payable was $8,236.

On April 22, 2020, CHI received a $368,600 loan pursuant to the U.S. Small Business Administration ("SBA") Paycheck Protection Program under the CARES Act (the "PPP Loan"). CHI used the proceeds to pay for qualifying expenses, such as payroll, payroll taxes, employee benefits and occupancy costs. CHI received notice from the SBA that the PPP Loan, including accrued interest of $2,101, was fully forgiven effective on November 20, 2020. In accordance with the PPP Loan forgiveness terms, the $10,000 advance received from the SBA Economic Injury Disaster Loan ("EIDL") was to be repaid based on the terms of the PPP Loan. However, the Company received notice from its financial institution on February 24, 2021 that the $10,000 advance and $60 of accrued interest related to the advance was forgiven. Accordingly, a total gain of $380,761 on the extinguishment of the PPP Loan and the EIDL advance and related accrued interest was recorded during the year ended May 31, 2021.

Notes payable – Principal repayments over the next five years are as follows:

Years ended May 31:	Amount
2023	$309,556
2024	7,869
2025	8,376
2026	88,264
2027	3,639
Thereafter	134,908
Total	$552,612

11. SHARE CAPITAL

a) Common stock

Authorized: Unlimited common shares without par value.

Issued and Outstanding: May 31, 2022, 159,424,033 shares; May 31, 2021, 144,404,692.

During the year ended May 31, 2022, the Company issued 15,019,341 shares through converting $701,711 of convertible debt, which included principal and accrued interest. During the year ended May 31, 2021, the Company issued 6,519,578 shares through converting $335,863 of convertible debt, which included principal and accrued interest.

The Company's current Offering is a private placement raise of $1,000,000, which is intended to be sold in 40 - $25,000 "Units." Each Unit consists of: a) 125,000 shares of the Company's common stock at a deemed value of $0.10/share; b) 62,500 share purchase warrants to acquire additional common shares of the Company, which are exercisable for two years from the Offering's Closing Date at $0.14/share; c) a 1/800 ownership in the Company's subsidiary Certive Health Compliance Solutions Inc. (based on a deemed valuation of $10M), which was created to provide cybersecurity sales and services in the healthcare industry; and d) Funds received for this Offering will accrue simple interest at 10% per annum, which will be settled at Closing with additional shares of the Company's common stock at a deemed value of $0.10/share.

For the years ended May 31, 2022 and 2021 (Expressed in U.S. Dollars)

11. SHARE CAPITAL (cont'd…)

b) Warrants

The Company has no share purchase warrants outstanding as of May 31, 2022, 2021 and 2020.

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 are at the discretion of the Board of Directors.

The following summarizes the continuity of stock options:

	Number of Stock Options	Weighted Average Exercise Price
Outstanding, May 31, 2020	10,658,708	$0.12
Expired (1)(2)	(8,458,708)	$0.12
Outstanding, May 31, 2021	2,200,000	$0.12
Granted(4)(5) (7)	6,400,000	$0.10
Expired (3)(6)	(1,250,000)	$0.22
Outstanding, May 31, 2022	7,350,000	$0.09

(1) On December 31, 2020, 4,058,708 stock options expired. The expired stock options consisted of 508,708 stock options pertaining to the Company's former CEO and of 3,550,000 stock options pertaining primarily to current and former members of the Company's Advisory Council. Such expired stock options were exercisable at CDN$0.25.

(2) On January 29, 2021, 4,400,000 of stock options granted to executive management expired because the vesting provision was not met. The stock options were granted by the Company's Board of Directors contingent upon the Company achieving a share price sustained at or above $0.30/share for a 45-consecutive day period on a volume weighted basis prior to January 29, 2021. When the Company initially granted these options, it was determined that the probability of achieving the required share price was nil and as a result did not record any share-based compensation in connection with these options.

(3) On September 13, 2021, 1,050,000 stock options expired pertaining to the Company's former CEO. Such expired stock options were exercisable at $0.22/share.

(4) On October 6, 2021, pursuant to an agreement for investor relations services dated September 17, 2021 between the parties, 100,000 stock options were granted to the Company's Investor Relations firm exercisable at $0.06/share, which expire in 10-years. These options vest 25% on December 15, 2021, March 15, 2022, June 15, 2022 and September 15, 2022.

(5) On October 29, 2021, the Company granted the following stock options:
   a. 6,000,000 stock options were granted primarily to the Company's executive management team and to the members of the Company's Advisory Council exercisable at $0.10/share and expire in 10-years; and
   b. 200,000 stock options were granted to the Company's independent Directors, which vest in 1-year, are exercisable at CDN$0.05/share and expire in 10-years.

(6) On January 5, 2022, 90-days after the Company's October 6, 2021 Annual General and Special Meeting of Shareholders was held, 200,000 stock options expired, which were previously granted by the Company to an independent director who was not re-elected to the Company's Board of Directors. Such expired stock options were exercisable at CDN$0.05/share.

(7) On April 29, 2022, pursuant to an agreement for social media services dated January 10, 2022 between the parties, the Company granted an additional 100,000 stock option to the Company's Investor Relations firm exercisable at CDN$0.07/share, which expire in 10-years. These stock options vest 25% on April 15, 2022, July 15, 2022, October 15, 2022 and January 15, 2023.

For the years ended May 31, 2022 and 2021 (Expressed in U.S. Dollars)

11. SHARE CAPITAL (cont'd…)

c) Stock options (cont'd…)

As at May 31, 2022, the following stock options were outstanding to directors, officers and employees of the Company:

Outstanding	Exercisable	Exercise Price	Remaining Life (Years)	Expiry Date
100,000	100,000	CDN$0.05	6.67	January 29, 2029
750,000	-	CDN$0.05	7.54	December 18, 2029
100,000	100,000	CDN$0.05	7.83	March 31, 2030
100,000	50,000	$0.06	9.33	October 6, 2031
200,000	-	CDN$0.05	9.42	October 29, 2031
6,000,000	6,000,000	$0.10	9.42	October 29, 2031
100,000	25,000	CDN$0.07	9.83	April 29, 2032
7,350,000	6,275,000	$0.09	9.17	

As at May 31, 2021, the following stock options were outstanding to directors, officers and employees of the Company:

Outstanding	Exercisable	Exercise Price	Remaining Life (Years)	Expiry Date
1,050,000	1,050,000	$0.22	0.04	September 13, 2021
200,000	200,000	CDN$0.05	7.67	January 29, 2029
750,000	-	CDN$0.05	8.54	December 18, 2029
200,000	200,000	CDN$0.05	8.83	March 31, 2030
2,200,000	1,450,000	$0.12	4.43	

The Company recognizes compensation expense for all stock options granted using the fair value-based method of accounting. The Company recognized share-based compensation expense of $299,326 and $9,038 for the years ended May 31, 2022 and 2021, respectively.

The fair value of the stock options during the period was estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	May 31, 2022	May 31, 2021
Expected volatility	227.66%	240.03%
Expected option life (years)	9.1	5.4
Risk-free interest rate	1.68%	1.58%
Expected dividend yield	0%	0%

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12. DERIVATIVE LIABILTY

The derivative financial liability consisted of the fair value of non-compensatory convertible promissory notes that have a variable exercise price. On October 31, 2021, the 8% 2-year promissory notes with a variable exercise price, which had not yet been converted, matured and were no longer convertible at the option of the Lender. At such time, the remaining derivative liability of $230,575 was recorded as a gain during the year ended May 31, 2022.

Details of the derivative liability as at May 31, 2021 is as follows:

As at May 31, 2021:

Expiration Date	Exercise price	Number of securities exercisable/convertible		Fair value as at May 31, 2021
October 31, 2021	$0.06	13,301,720	$	230,575

These securities issued outstanding as at May 31, 2021 were valued using the Black Scholes option pricing model with a weighted average expected volatility of 212.51%, discounted rate of 0.32%, expected life of 0.42 years, and a dividend rate of 0%.

13. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

		May 31, 2022		May 31, 2021
Loss for the year	$	**(2,478,771)**	$	(2,043,376)
Statutory rate		**27%**		25%
Expected income tax recoverable at statutory rate		**(669,000)**		(508.208)
Adjustment to prior year's provision vs statutory tax return, foreign exchange rates, and other		**(205,378)**		(30,649)
Permanent differences		**80,000**		1,777
Change in unrecognized deductible temporary differences		**794,378**		537,080
Total income tax recovery	$	**-**	$	-

The significant components of the Company`s deferred tax assets and liabilities are as follows:

		May 31, 2022		May 31, 2021
Temporary Differences				
Marketable securities	$	**-**	$	(3,645)
Software development costs		**7,000**		(32,543)
Debt with accretion		**-**		1,053,807
Non-capital losses available for future period		**7,203,000**		5,398,002
		7,210,000		6,415,621
Unrecognized deferred tax asset		**(7,210,000)**		(6,415,621)
Net deferred tax asset	$	**-**	$	-

The deferred tax assets have not been recognized in these consolidated financial statements as it is not probable that they will be realized.

For the years ended May 31, 2022 and 2021 (Expressed in U.S. Dollars)

13. INCOME TAXES (cont'd…)

The significant components of the Company`s unrecognized temporary differences and tax losses are as follows:

		May 31, 2022	Expiry Date Range		May 31, 2021
Temporary Differences					
Software development costs	$	**27,000**	No expiry	$	-
Marketable securities	$	**3,000**	No expiry	$	29,000
Debt with accretion	$	**-**	No expiry	$	4,237,000
Non-capital losses available for future period – Canada	$	**7,079,000**	2031 – 2042	$	6,663,000
Non-capital losses available for future period – USA	$	**20,430,000**	2031 – 2042	$	15.041,000

Tax attributes are subject to review, and potential adjustment by tax authorities.

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 Personnel ("KMPs") and companies owned in whole or in part by KMPs and directors as follows:

Name	Position and nature of relationship
UTA Holdings, LLC	Company controlled by advisory council member
SMA Group, LLC	Company controlled by key management personnel
Miller and Associates Environmental Consultants Inc.	Company controlled by the corporate secretary
Hyland Property Management Services LLC	Company controlled by officer and director
Lena V. LaMantia Trust	Company controlled by officer and director
Tim Hyland	Director, officer and former advisory council member
Tom Marreel	Director, officer and former advisory council member
Sheila Schweitzer	Independent director
Jeff Wareham	Independent director
Scott Thomas	Director and VP of investor relations
Mike Miller	Corporate secretary and chief legal officer
Ann Fierro	Key management personnel
Jeff Benton	Advisory council member
Arthur Pelberg, M.D.	Advisory council member
Jack Chapman	Advisory council member
Steve Schramm	Advisory council member
Don Gilbert	Advisory council member
J.J. Linder, M.D.	Advisory council member
Scott Donaldson	Advisory council member
John Orsini	Advisory council member
Tim Bricker	Advisory council member

For the years ended May 31, 2022 and 2021 (Expressed in U.S. Dollars)

14. RELATED PARTY TRANSACTIONS (cont'd…)

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

	Nature of relationship		May 31, 2022		May 31, 2021
Accounts payable (Note 8)	Directors, key management personnel, and companies controlled by these parties	$	**491,363**	$	260,492
Convertible loans – face value (Note 9)	Directors	$	**341,224**	$	230,575
Convertible loans – face value (Note 9)	Advisory board member	$	**352,437**	$	646,564
Notes payable (Note 11)	Key management personnel	$	**300,000**	$	300,000
Short-term loans payable (Note 10)	Directors, advisory board and key management	$	**344,861**	$	476,713

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

		May 31, 2022		May 31, 2021
Salaries to key management personnel, included in operating costs and expenses	$	**230,314**	$	394,298
Share based compensation to officers and directors		**299,326**		9,038
Consulting fees		**-**		50,000
Total	$	**529,640**	$	453,336

The Company recognized a recovery of accounts payable of $198,378 and $11,835 due to related parties as a result of debt settlement agreements for the years ended May 31, 2022 and 2021, respectively.

15. LEASES

Upon transition to IFRS 16 on June 1, 2019, the Company had two lease agreements for its leased office Premises. However:

a) The Company's Scottsdale, Arizona office lease expired on July 31, 2020. Subsequently, the Company leases office space on a month-to-month basis, which is exempt from recognition as a right-of-use asset due to the short-term nature of this agreement.

b) The Company's Fort Lauderdale, Florida office lease expired on March 31, 2020. Subsequently, the Company did not enter into a new lease. The Company's Florida-based employees continue to work remotely from their homes until further notice.

The Company's rent expense was $31,686 and $26,249 for the years ended May 31, 2022 and 2021, respectively.

16. MANAGEMENT OF CAPITAL

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

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

In order to maximize ongoing efforts, the Company does not pay out dividends. The Company's investment policy is to keep its cash treasury invested in demand certificates of deposit with major financial institutions.

There have been no changes to the Company's approach to capital management during the year ended May 31, 2022.

17. 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, marketable securities, receivables, accounts payable, convertible debt, short-term loans, notes payable, and derivative liability.

The fair value 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 and derivative liability is measured on the statement of financial position using level 3 of the fair value hierarchy. The fair values of receivables, accounts payable, and short-term loans and notes payable approximate their book values because of the short-term nature of these instruments. The fair value of the long-term portion of the note payable approximates its carrying value.

Financial instrument risk exposure

The Company's financial instruments are exposed to certain financial risks, including credit risk, liquidity risk, and market risk, which includes currency risk, interest rate risk and price risk.

a) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The Company has no material counterparties to its financial instruments with the exception of the financial institutions which hold its cash and receivables. 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. In addition, the Company affords credit to customers with which it is believes it will collect payment. The Company does not believe it has a material exposure to credit risk.

17. FINANCIAL INSTURMENTS AND RISK MANAGEMENT (cont'd…)

Financial instrument risk exposure (cont'd…)

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 17. 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 accounts payable 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 May 31, 2022, the Company has approximately CDN$2,258,000 of financial liabilities denominated in Canadian dollars. A 10% change in exchange rate would result in a change to loss and comprehensive loss of approximately $225,800.

(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.

18. LEGAL MATTER

The Company filed litigation against the Company's former CFO in an attempt to recover penalties and interest costs, which resulted from the former CFO's failure to submit payroll withholding taxes to the Internal Revenue Service ("IRS") for an approximate 18-month period during 2017-2018. Pursuant to a payment plan negotiated with the IRS, the Company previously paid $175,000 to the IRS towards satisfaction of those liabilities. On September 28, 2020, the Company submitted an Offer-in-Compromise to the IRS regarding this matter. The IRS initially denied the Company's request, which was upheld by the IRS Independent Office of Appeals. Most recently, the Company sent the IRS a formal request to waive the penalties and interest and the status of such request is still pending. As the result of a settlement conference conducted by a judge in August 2021, the Company and its former CFO reached a settlement. As of May 31, 2022, the settlement proceeds of $40,000 cash and 2,950,000 shares of stock of the Company valued at $147,500 are held in escrow for payment to the IRS and are recorded by the Company as restricted assets totaling $187,500. For the periods of time mentioned above, included in accrued liabilities is a payroll tax liability of $339,895 as May 31, 2022. See Note 19 (e) below.

19. SUBSEQUENT EVENTS

a) The Company raised funds to provide working capital subsequent to May 31, 2022 as follows:

   a. The Company received $75,000 from lenders in 10% Demand Notes intended to be invested in the Company's Offering.

   b. The Company received non-interest-bearing advances, payable on demand of $263,738 from two Officers and Directors of the Company.

b) On July 18, 2022, a lender elected to convert a promissory note with total principal and unpaid accrued interest of $24,213 into 403,543 shares of the Company's common stock at $0.06/share.

c) On October 14, 2022, a lender and the Company entered into an agreement to extend the due date of a $90,000 convertible promissory note originally dated November 24, 2017 and due November 24, 2019. The note's amended due date is May 31, 2023.

d) In October 2022, the escrow agent (attorney) sent $40,000 of restricted cash to the US Treasury Department, Internal Revenue Service, towards payment of payroll withholdings taxes due for the quarter ended September 30, 2017.