Certive Solutions Inc.

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

For the years ended May 31, 2023 and 2022

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Certive Solutions Inc.

Opinion

We have audited the accompanying consolidated financial statements of Certive Solutions Inc. (the "Company"), which comprise the consolidated statement of financial position as at May 31, 2023, and the consolidated statements of loss and comprehensive loss, cash flows, and changes in shareholders' deficiency for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at May 31, 2023, and its financial performance and its cash flows for the year 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 Consolidated 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 in our audit is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company had a working capital deficit of $9,397,161, a loss and comprehensive loss for the year of $1,670,131 and total shareholders' deficiency of $10,468,347. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Emphasis of Matter – Restated Comparative Information

We draw attention to Note 18 to the consolidated financial statements, which explains that certain comparative information for the year ended May 31, 2022 has been restated. Our opinion is not modified in respect of this matter.

The consolidated financial statements for the year ended May 31, 2022, excluding the adjustments that were applied to restate certain comparative information were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on November 30, 2022.

As part of our audit of the consolidated financial statements for the year ended May 31, 2023, we audited the adjustments applied to restate certain comparative information presented. In our opinion, such adjustments are appropriate and have been properly applied.

Other than with respect to the adjustments that were applied to restate certain comparative information, we were not engaged to audit, review, or apply any procedures to the consolidated financial statements for the year ended May 31, 2022. Accordingly, we do not express an opinion or any other form of assurance on those consolidated financial statements taken as a whole.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

Revenue Recognition

As described in Note 12 to the consolidated financial statements, the Company recognized revenue from operations $1,270,374 for the year ended May 31, 2023. As more fully described in Note 3 to the consolidated financial statements, the Company records fee revenue based on estimates of hospital services that were performed but not billed (lost charges), and estimates of collection of the resulting receivables owed by customers to hospitals.

The Company enters into contract arrangements with hospitals which include contingency fees related to lost charge recoveries and Diagnostic Related Groups review recoveries. Judgment is required by the Company to identify performance obligations, and to determine the completeness and accuracy of revenue recognized.

The principal considerations for our determination that the assessment of revenue recognition is a key audit matter are that there was judgment made by management when assessing lost charges, specifically relating to historical collection percentages on the resulting receivables. This in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures to evaluate audit evidence relating to the judgments made by management in their assessment of performance obligations, collectability of lost charges, and completeness of the transactions and revenues recognized.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. Our audit procedures included among others:

- Obtaining an understanding of the key controls associated with evaluating recognition of revenue streams.
- Examining and evaluating the contractual terms identified in underlying agreements in connection with the transactions for consistency with the amounts recorded in the financial statements.
- Confirming with customers, on a test basis, the amount of revenue paid to the Company.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

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 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 prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. 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 information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Davidson & Company LLP

Vancouver, Canada

Chartered Professional Accountants

September 28, 2023

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

	Notes		May 31, 2023		May 31, 2022 (Restated – Note 18)
ASSETS					
Current assets					
Cash		$	**72,712**	$	10,462
Marketable securities	4		**941**		3,037
Receivables, net of allowance	5		**259,388**		282,084
Restricted assets	17		**-**		40,000
Prepayments			**49,016**		122,304
Total current assets			**382,057**		457,887
Non-current assets					
Receivable from sale of KCA	5		**82,012**		90,530
Intangible asset - software development	6		**13,406**		52,570
Total assets		$	**477,475**	$	600,987
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	7, 14, 17	$	**5,068,721**	$	3,871,065
Convertible debt	8, 14		**3,466,548**		2,402,800
Short term loans	9, 14		**995,721**		807,572
Notes payable – current portion	10, 14		**248,228**		309,556
Total current liabilities			**9,779,218**		7,390,993
Non-current liabilities					
Convertible debt – long term portion	8, 14		**932,440**		2,072,264
Note payable – long term portion	10, 14		**234,164**		243,056
Total liabilities			**10,945,822**		9,706,313
Shareholders' deficiency					
Share capital	11		**24,667,257**		24,356,915
Treasury shares	17		**(128,667)**		(128,667)
Obligation to issue shares	17		**108,855**		-
Reserve - Share options	11		**2,162,914**		2,180,167
Reserve - Share warrants	11		**728,387**		728,387
Contributed surplus			**786,641**		766,829
Equity portion of convertible debt			**894,751**		880,730
Deficit			**(39,688,485)**		(37,889,687)
Total shareholders' deficiency			**(10,468,347)**		(9,105,326)
Total liabilities and shareholders' deficiency		$	**477,475**	$	600,987

Nature of operations and going concern (Note 1)
Subsequent events (Note 19)

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 and Comprehensive Loss for the Years Ended
(Expressed in U.S. Dollars)

	Notes		May 31, 2023		May 31, 2022 (Restated – Note 18)
REVENUE					
Lost charge recovery services	12	$	**904,583**	$	1,200,668
DRG review services	12		**365,791**		-
Total Revenue			**1,270,374**		1,200,668
COST OF REVENUE					
Commissions			**20,235**		25,112
Contractor and consultant fees			**101,695**		59,660
Direct payroll and employee benefits			**1,010,571**		1,321,357
License fees			**-**		105
Total cost of revenue			**1,132,501**		1,406,234
Gross (loss) profit			**137,873**		(205,566)
OPERATING EXPENSES					
Amortization	6		**39,164**		78,278
Bad debt expense	5 (a)		**31,716**		84,701
Bank charges and interest	8,9,10		**914,485**		894,042
Consulting fees			**127,000**		132,000
Foreign exchange gain			**(248,790)**		(160,081)
General and administrative			**376,233**		222,224
Professional fees			**183,915**		155,301
Rent			**26,510**		31,686
Salaries and wages	14		**702,896**		945,818
Sales and marketing			**25,576**		36,848
Share-based compensation	11, 14		**10,497**		299,326
Transfer agent and filing fees			**49,572**		67,696
Travel and promotion			**-**		629
Total operating expenses			**2,238,774**		2,788,468
Loss from operations			**(2,100,901)**		(2,994,034)
OTHER INCOME (EXPENSE)					
Derivative liability recovery	8		**-**		230,575
Gain from settlement/restructure/forgiveness of debt	11, 14, 18		**432,681**		136,748
Gain from settlement of accounts payable	11		**-**		36,035
Unrealized loss on marketable securities	4		**(1,911)**		(35,595)
Other income, net			**430,770**		367,763
LOSS AND COMPREHENSIVE LOSS		**$**	**(1,670,131)**	$	(2,626,271)
Basic and diluted loss per common share		**$**	**(0.01)**	$	(0.02)
Weighted average number of common shares outstanding			**160,079,487**		146,168,102

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, 2023		May 31, 2022 (Restated – Note 18)
CASH FLOWS USED IN OPERATING ACTIVITIES				
Loss and comprehensive loss for the year	**$**	**(1,670,131)**	$	(2,626,271)
Adjustments for				
Amortization		**39,164**		78,278
Share based compensation expenses		**10,497**		299,326
Accretion and transaction cost		**134,922**		111,976
Derivative liability recovery		**-**		(230,575)
Foreign exchange gain		**(248,790)**		(160,081)
Unrealized loss on marketable securities		**1,911**		35,595
Gain on settlement / restructure / forgiveness of debt		**(432,681)**		(172,783)
Transaction costs		**-**		84,701
Changes in non-cash working capital:				
Receivables		**22,696**		122,007
Restricted Assets		**40,000**		-
Prepayments		**73,288**		(81,772)
Accounts payable and accrued liabilities		**1,402,927**		1,294,393
Net cash used in operating activities		**(626,197)**		(1,245,206)
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES				
Cash received from KCA		**8,518**		5,270
Net cash provided by investing activities		**8,518**		5,270
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES				
Proceeds from convertible debt		**-**		576,681
Payments on short-term loan		**(36,851)**		-
Payments on notes payable		**(70,220)**		-
Proceeds from short-term loan, net		**225,000**		287,406
Proceeds from officers in accounts payable		**562,000**		384,376
Net cash provided by financing activities		**679,929**		1,248,463
CHANGE IN CASH DURING THE YEAR		**62,250**		8,527
CASH, BEGINNING OF YEAR		**10,462**		1,935
CASH, END OF YEAR	**$**	**72,712**	$	10,462
Supplemental disclosure of cash flow information				
Cash paid for interest	**$**	**53,946**	$	119,256
Cash paid for income taxes	**$**		$	-

Non-cash transactions affecting cash flows from financing and investing activities for the years ended:

Transfer of fair value on the exercise of stock options	**$**	**27,750**	$	-
Accounts payable settled for debt	**$**	**164,120**	$	-
Options exercised to settle accounts payable	**$**	**27,806**	$	-
Equity portion of convertible note	**$**	**14,021**	$	-
Transfer of liability portion of converted debt	**$**	**90,666**	$	701,711
Obligation to issue shares	**$**	**108,855**	$	-
Return of treasury shares	**$**	**-**	$	128,667

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

Certive Solutions Inc.
Consolidated Statements of Changes in Shareholders' Deficiency
For the years ended May 31, 2023 and 2022 *(Expressed in U.S. Dollars)*

	Share capital									
	Number of Shares	**Amount**	**Treasury Shares**	**Obligation to issue shares**	**Reserve – Share Options**	**Reserve – Warrants**	**Contributed Surplus**	**Equity Portion of Convertible Debt**	**Accumulated Deficit (Restated – Note 18)**	**Total Shareholders' Deficiency**
Balance as at May 31, 2021	144,404,692	$ 23,655,204	$ -	$ -	$ 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
Share based compensation	-	-	-	-	299,326	-	-	-	-	299,326
Equity portion of convertible debt	-	-	-	-	-	-	-	261,851	-	261,851
Treasury shares (Restated – Note 18)	-	-	(128,667)	-	-	-	-	-	128,667	-
Loss for the year (Restated – Note 18)	-	-	-	-	-	-	-	-	(2,626,271)	(2,626,271)
Balance as at May 31, 2022 (Restated – Note 18)	**159,424,033**	**$ 24,356,915**	**$ (128,667)**	**$ -**	**$ 2,180,167**	**$ 728,387**	**$ 766,829**	**$ 880,730**	**$ (37,889,687)**	**$ (9,105,326)**
Equity portion of convertible debt	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**14,021**	**-**	**14,021**
Shares issued for the conversion of convertible debt	**1,511,102**	**90,666**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**90,666**
Shares issued for exercise of stock options	**750,000**	**55,556**	**-**	**-**	**(27,750)**	**-**	**-**	**-**	**-**	**27,806**
Shares issued for settlement of other current liabilities	**7,460,000**	**164,120**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**164,120**
Share based compensation	**-**	**-**	**-**	**-**	**10,497**	**-**	**-**	**-**	**-**	**10,497**
Recognition of obligation to issue shares	**-**	**-**	**-**	**108,855**	**-**	**-**	**19,812**	**-**	**(128,667)**	**-**
Loss for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,670,131)**	**(1,670,131)**
Balance as at May 31, 2023	**169,145,135**	**$ 24,667,257**	**$ (128,667)**	**$ 108,855**	**$ 2,162,914**	**$ 728,387**	**$ 786,641**	**$ 894,751**	**$ (39,688,485)**	**$ (10,468,347)**

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 currently provides revenue cycle consultative services to hospital clients resulting in a) lost charge recoveries; and, b) Diagnostic Related Groups ("DRG") review recoveries, in revenue sharing relationships, which improves the hospital clients' net operating results.

The Company's registered office and head office address 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 and its subsidiaries.

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, 2023, the Company had a working capital deficit of $9,397,161, a loss and comprehensive loss for the year of $1,670,131 and total shareholders' deficiency of $10,468,347.

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 are many external factors that can adversely affect general workforces, economies, and financial markets globally. Examples include, but are not limited to, the COVID-19 global pandemic and political conflict in other regions. It is not possible for the Company to predict the duration or magnitude of adverse results of such external factors and their effect on the Company's business or ability to raise funds.

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 AND STATEMENT OF COMPLIANCE

a) Statement of compliance

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").

b) Basis of presentation

The consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments classified as fair value through profit or loss, and fair value through other comprehensive income, 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 September 28, 2023.

2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE (cont'd…)

c) 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

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, 2023 and 2022 (Expressed in U.S. Dollars)

2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE (cont'd…)

c) Significant accounting judgments and estimates (cont'd…)

v) Carrying values of intangible assets

The assessment of indications of impairment of intangible assets: Management determines if intangible asset costs, which have been capitalized, have future economic benefits and may be economically recoverable. Management uses several criteria in its assessment so economic recoverability and probability of future economic benefits including anticipated cash flows and estimated economic life. If indications of impairment exist, management estimates the recoverable amount of the asset and adjusts the carrying value as necessary.

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) Revenue recognition

The Company estimates contingency fee revenue based on estimates of hospital services that were performed but not billed (lost charges), and estimates of collection of the resulting receivables owed by customers to hospitals. The Company estimates a receivable for work-in-progress ("WIP") using an aged report of all outstanding lost charges identified by the Company and sent to the Company's clients for processing. Those lost charges are included in the report along with an estimate of the amount that the hospital will collect from the payer for each lost charge. Each client's specific contingency fee is then applied to such amounts to determine an estimate of the Company's revenue and WIP receivable. Management then estimates an allowance for uncollectible WIP based on historical collection rates for each aging category with increases or decreases being recorded to bad debt expense.

d) 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.

e) 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, 2023 Interest %	May 31, 2022 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 deposits held at financial institutions.

b) Intangible assets

Intangible assets with finite lives are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization periods and the amortization methods for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful lives or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the remaining amortization periods or methods, as appropriate, and are treated as changes in accounting estimates.

Intangible assets are amortized over their estimated useful lives once they are available for use.

c) Financial instruments

Classification

The Company classifies its financial assets in the following categories: at fair value through profit or 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.

Measurement

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

c) Financial instruments (cont'd…)

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 classified as follows:

Asset or Liability	Category
Cash	Amortized cost
Marketable securities	FVTPL
Receivables	Amortized cost
Receivable from KCA	Amortized cost
Restricted assets	Amortized cost
Accounts payable	Amortized cost
Convertible debt	Amortized cost
Short term loans	Amortized cost
Notes payable	Amortized cost

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 time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

c) Financial instruments (cont'd…)

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

Marketable securities are measured at fair value using Level 1 inputs. Cash, restricted assets, accounts receivable, receivable from KCA, accounts payable and accrued liabilities, convertible debt, short-term loans and notes payable approximate their fair value due to their short maturity or market interest rate.

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 compensation 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 and DRG review 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 WIP receivable, the Company records an allowance for uncollectible WIP.

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

In accordance with IAS 21, "The Effects of Changes in Foreign Exchange Rates," management determined the functional currency of the Company based on the currency of the primary economic environment in which the Company operates.

Foreign currency transactions are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the period end rate of exchange. Foreign exchange gains and losses resulting from such translations are recognized in 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…)

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.

Assets that have an indefinite useful life are not subject to amortization and are tested for impairment annually.

j) Government assistance

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be met. When the grant relates to an expense item, it is recognized as a deduction against the related expense over the period necessary period to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it reduces the carrying amount of the asset. Government assistance received relating to expenses of future is deferred and deducted against the related expenditures as incurred.

k) Future accounting pronouncements

Certain new standards, interpretations, amendments and improvements to existing standards were issued by IASB or IFRIC that are mandatory for future accounting periods which are not expected to have a material effect on the Company's consolidated financial statements. There were no new standards adopted by the Company during the year ended May 31, 2023 having a material effect on the Company's consolidated financial statements.

l) Compound financial instruments

Compound financial instruments issued by the Company comprise of convertible debentures that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of compound financial instruments is initially recognized at a fair value of a similar liability that does not have an equity conversion option. The equity instrument is initially recognized at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound instrument is measured at amortized cost using the effective interest method. The equity component of a compound instrument is not remeasured subsequent to initial recognition except on conversion or expiry.

For the years ended May 31, 2023 and 2022 (Expressed in U.S. Dollars)

4. MARKETABLE SECURITIES

Cost:		
At May 31, 2021, 2022 and 2023	$	7,474
Fair value:		
Fair value at May 31, 2021	$	36,785
Unrealized loss		(35,595)
Foreign exchange gain		1,847
Fair value at May 31, 2022		3,037
Unrealized loss		(1,911)
Foreign exchange loss		(185)
Fair value at May 31, 2023	$	941

5. RECEIVABLES

a) Receivables, net of allowance, for the years ended May 31, 2023 and 2022:

		May 31, 2023		May 31, 2022
HST input tax credits	$	**15,987**	$	13,160
Trade receivables		**105,808**		150,107
Work in progress ("WIP")		**266,905**		217,158
Allowance for uncollectable WIP		**(129,312)**		(98,341)
	$	**259,388**	$	282,084

Estimated amounts are accrued as revenue for completed work, which is known as WIP. After identified lost charges are processed and the hospital client receives payment from the payer, an invoice is generated and sent to the hospital client for the Company's contingency fee, which is generally collected approximately 30-45 days after being invoiced. As at May 31, 2023, 98% of the trade receivables were current being invoiced on May 31, 2023. Significant estimated monthly amounts accrued as WIP are subject to adjustment. Bad debt expense recorded for the years ended May 31, 2023 and 2022 was $31,716 and $84,701, respectively/

b) 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 Company sold the original 100 shares received in the acquisition of KCA to the Purchaser for $1,200,000. 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 KCA will remain in safekeeping with Trustee until the terms of the Sale Agreement are fulfilled. The Purchase Price consisted of the following:

- The Purchaser transferred 900,000 shares of the Company back to the Company, at a fair value of $270,000; and
- 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%

For the years ended May 31, 2023 and 2022 (Expressed in U.S. Dollars)

5. RECEIVABLES (Cont'd…)

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, 2023 and 2022 is $82,012 and $90,530, respectively.

6. SOFTWARE DEVELOPMENT COSTS

Cost:		
At May 31, 2021, 2022 and 2023	$	573,316
Accumulated Amortization:		
At May 31, 2021		442,468
Amortization expense		78,278
At May 31, 2022		520,746
Amortization expense		39,164
At May 31, 2023		559,910
Net Value:		
At May 31, 2022	$	52,570
At May 31, 2023	$	13,406

Software development assets acquired upon the purchase of the assets of Omega Technology Solutions LLC ("Omega") (Note 10) represent the proprietary software developed by Omega to identify and track lost charges for recovery by their hospital customers and are being amortized over seven years on a straight-line basis.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		May 31, 2023		May 31, 2022
Accounts payable (Note 14)	$	**1,328,845**	$	875,256
Accrued liabilities		**72,137**		72,190
Accrued interest		**2,335,143**		1,850,042
Accrued payroll		**138,997**		370,854
Accrued payroll tax liabilities (Note 17)		**1,193,599**		702,723
	$	**5,068,721**	$	3,871,065

8. CONVERTIBLE DEBT

As at May 31, 2023 and 2022, the Company had the following convertible debt:

Description		Face value	Total liability May 31, 2023 (in US Dollars)	Total liability May 31, 2022 (in US Dollars)
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	**274,192**	294,894
Past due convertible note, convertible at CDN$0.30 per share, accruing interest at 12% per annum.	CDN$	10,000	**7,351**	7,906
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	**294,040**	316,240
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	**514,570**	553,420
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	**275,662**	296,475
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	**294,040**	316,240
Matures in February 2024, convertible at $0.14, accruing interest of 10% per annum	$	128,207	**122,406**	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**	100,000
Past due convertible note, convertible at $0.06 per share, accruing interest of 8% per annum (Note 14)	$	819,093	**255,969**	327,625
Mature on February 29, 2024, convertible at $0.14 per share, accruing interest of 12% per annum (Note 14)	$	1,199,661	**1,138,318**	1,079,087
Mature on October 15, 2025, convertible at $0.14 per share, accruing interest of 10% per annum (Note 14)	$	1,144,447	**932,440**	867,800
Transaction Costs – Liability Portion		-	**-**	(2,830)
			$ **4,398,988**	$ 4,475,064

As at May 31, 2023 and 2022, the Company has the following convertible notes outstanding:

		May 31, 2023		**May 31, 2022**
Convertible notes overdue	$	**2,205,824**	$	2,402,800
Convertible notes due within 12 months of period end		**1,260,724**		-
Convertible notes due after 12 months from period end		**932,440**		2,072,264
	$	**4,398,988**	$	4,475,064

A 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 to common stock, 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.

For the years ended May 31, 2023 and 2022 (Expressed in U.S. Dollars)

8. CONVERTIBLE DEBT (cont'd…)

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 the Company 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 $932,440 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 the Company 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. See Note 10 (c).

9. SHORT-TERM LOANS

The loans are made of the following:

		May 31, 2023		May 31, 2022
Loans from related parties (Note 14) (1)	$	**307,721**	$	344,861
Loans from other entities (2)		**688,000**		462,711
	$	**995,721**	$	807,572

(1) As at May 31, 2023, of the total short-term loans from related parties, $43,721 are non interest-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, 2022, of the total short-term loans from related parties, $80,861 are non interest-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.

(2) As at May 31, 2023, of the total short-term loans from other parties, $83,000 are non interest-bearing advances to the Company, which are due on demand. Of the remaining $605,000, $125,000 have an interest rate of 12% and $475,000 have an interest rate of 10% and all are due on demand. The remaining $5,000 is a line of credit owing to a financial institution that bears interest at 4% per annum. As at May 31, 2022, of the total short-term loans from other parties, $83,000 are non interest-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.

For the years ended May 31, 2023 and 2022 (Expressed in U.S. Dollars)

10. NOTES PAYABLE

a) Omega Note Payable

During the year ended May 31, 2016, the Company completed the acquisition of the assets of 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 fair value of $240,000, were issued. The Company agreed to make payments totaling $500,000, which when paid, will be full settlement of any amounts owed between the Company and Omega:

- $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, 2023 and 2022, the remaining unpaid balance of $240,451 and $300,000, respectively, is included in notes payable – current portion.

b) SBA Note Payable

On July 26, 2020, the Company was awarded a $150,000 Economic Injury Disaster Loan ("EIDL") by the Small Business Administrations ("SBA") 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, 2023 and 2022, the long-term portion of the note payable was $145,429 and $148,679, respectively, and the current portion of the note payable was $3,251 and $1,320, respectively.

c) Loan Payable

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. As at May 31, 2023, the long-term portion of the note payable was $88,735 and the current portion of the note payable was $4,526. As at May 31, 2022, the long-term portion of the note payable was $94,377 and the current portion of the note payable was $8,236.

d) PPP Loan

On April 22, 2020, the Company received a $368,600 loan pursuant to the SBA's Paycheck Protection Program under the CARES Act (the "PPP Loan"). During the year ended May 31, 2022, the Company received notice that the advance and interest 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.

e) Notes payable – principal repayments over the next five years are as follows

Years ended May 31:	Amount
2024	$248,228
2025	8,376
2026	8,920
2027	81,959
2028	3,777
Thereafter	131,132
Total	$482,392

For the years ended May 31, 2023 and 2022 (Expressed in U.S. Dollars)

11. SHARE CAPITAL

a) Common stock

Authorized: As at May 31, 2023 and 2022, the share capital comprised unlimited common shares without par value.

Issued and Outstanding: May 31, 2023, 169,145,135 common shares; May 31, 2022, 159,424,033 common shares.

During the year ended May 31, 2023, the Company issued 9,721,102 common shares. 1,511,102 common shares were issued upon the conversion of $90,665 of convertible debt, 750,000 common shares were issued from the exercise of stock options, and 7,460,000 common shares with a fair value of $0.022 per share were issued to settle accounts payable and accrued payroll of $164,377, which resulted in a gain on settlement of accounts payable of $432,681.

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

The Company's current Offering, as amended, 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) 312,500 shares of the Company's common stock at a fair value of $0.08/share; b) 156,250 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; and c) 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 fair value of $0.08/share.

b) Warrants

The Company has no share purchase warrants outstanding as of May 31, 2023 and 2022.

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, 2021	2,200,000	$0.12
Granted	6,400,000	$0.10
Expired	(1,250,000)	$0.22
Outstanding, May 31, 2022	7,350,000	$0.09
Granted(1)	200,000	CDN$0.05
Exercised(2)	(750,000)	CDN$0.05
Outstanding, May 31, 2023	6,800,000	$0.09

(1) On May 1, 2023, 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.
(2) In January 2023, the Company's CEO and CFO exercised 750,000 stock options at CDN$0.05/share.

For the years ended May 31, 2023 and 2022 (Expressed in U.S. Dollars)

11. SHARE CAPITAL (cont'd…)

c) Stock options (cont'd…)

As at May 31, 2023, the total outstanding stock options were 6,800,000 (7,350,000 as at May 31, 2022) as follows:

Outstanding	Exercisable	Exercise Price	Remaining Life (Years)	Expiry Date
100,000	100,000	CDN$0.05	5.67	January 29, 2029
100,000	100,000	CDN$0.05	6.84	March 31, 2030
100,000	100,000	$0.06	8.36	October 6, 2031
200,000	200,000	CDN$0.05	8.42	October 29, 2031
6,000,000	6,000,000	$0.10	8.42	October 29, 2031
100,000	100,000	CDN$0.07	8.92	April 29, 2032
200,000	-	CDN$0.05	9.33	May 1, 2033
6,800,000	6,600,000	$0.09	8.32	

The Company recognizes the fair value for all stock options granted and vested using the Black Sholes valuation model. The Company recognized share-based compensation expense of $10,497 and $299,326 for the years ended May 31, 2023 and 2022, respectively. The fair value of the stock options during the year was estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	May 31, 2023	May 31, 2022
Expected volatility	233.62%	227.66%
Expected option life (years)	9.4	9.1
Risk-free interest rate	1.76%	1.68%
Expected dividend yield	0%	0%
Share price	$0.03	$0.07

The gain on settlement of debt relates to accounts payables and accrued wages owed to management that was converted to share capital. The Company issued 7,400,000 common shares with a fair value of $164,120 to settle their debts totaling $596,801, resulting in a gain of $432,681.

12. REVENUE

Revenue recognized during the years ended May 31, 2023 and 2022 relates to Lost Charge Recovery Services and DRG Review Services.

During the year ended May 31, 2023, the Company recognized $1,270,374, which includes $365,791 from a new line of business added during the year, DRG Review Services. Of the $1,270,374 revenue recognized during the year, as at May 31, 2023, revenue invoiced but not yet collected was $105,808 and estimated revenue, net of an allowance, related to estimated WIP, but not yet invoiced, was $137,593 (10.8% of revenue).

During the year ended May 31, 2022, the Company recognized $1,200,668 from Lost Charge Recovery Services. Of the $1,200,668 revenue recognized during the year, as at May 31, 2022, revenue invoiced but not yet collected was $150,107 and estimated revenue, net of an allowance, related to completed WIP, but not yet invoiced, was $118,817 (9.9% of revenue).

Two of the Company's major customers that each contribute in excess of 10% of total revenues for the year ended May 31, 2023, one of which accounts for $643,880 and the other accounts for $519,693 of revenue recorded.

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13. INCOME TAXES

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

		May 31, 2023		May 31, 2022
Loss for the year	$	**1,670,131**	$	2,626,271
Expected income tax recoverable at statutory rate		**(451,000)**		(709,000)
Adjustment to prior year's provision vs statutory tax return, foreign exchange rates, and other		**24,000**		(165,378)
Permanent differences		**14,000**		80,000
Adjustment to prior year's provision versus statutory tax returns and expiry of non-capital losses		**37,000**		-
Change in unrecognized deductible temporary differences		**376,000**		794,378
Total income tax recovery	$	**-**	$	-

The Canadian income tax rate declined/increased during the year due to changes in the law that reduced/increased corporate income tax rates in Canada / British Columbia.

The significant components of the Company`s deferred tax assets that have not been included on the consolidated statement of financial position are as follows:

		May 31, 2023		May 31, 2022
<u>Deferred Tax Assets (liabilities)</u>				
Software development costs	$	**17,000**	$	7,000
Marketable securities		**16,000**		-
Non-capital losses available for future period		**7,553,000**		7,203,000
		7,586,000		7,210,000
Unrecognized deferred tax asset		**(7,586,000)**		(7,210,000)
Net deferred tax asset	$	**-**	$	-

The significant components of the Company`s temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

		May 31, 2023	Expiry Date Range		May 31, 2022
<u>Temporary Differences</u>					
Software development costs	$	**66,000**	No expiry	$	27,000
Marketable securities	$	**5,000**	No expiry	$	3,000
Non-capital losses available for future period – Canada	$	**7,256,000**	2031 – 2043	$	7,079,000
Non-capital losses available for future period – USA	$	**21,598,000**	2031 – 2043	$	20,430,000

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

14. RELATED PARTY TRANSACTIONS

Key management personnel include those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

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
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
The Marreel Family Trust	Company controlled by officer and director
Tim Hyland	Director and officer
Tom Marreel	Director and officer
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

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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, 2023		May 31, 2022
Accounts payable (Note 7)	Directors, key management personnel, and companies controlled by these parties	$	**1,098,221**	$	491,363
Convertible loans – face value (Note 8)	Directors	$	**383,717**	$	341,224
Convertible loans – face value (Note 8)	Advisory council	$	**-**	$	352,437
Notes payable (Note 10)	Key management personnel	$	**240,451**	$	300,000
Short-term loans payable (Note 9)	Directors, advisory board and key management	$	**307,721**	$	344,861

		May 31, 2023		May 31, 2022
Salaries to key management personnel, included in operating costs and expenses	$	**295,518**	$	230,314
Share based compensation to officers and directors		**10,497**		299,324
Total	$	**306,015**	$	529,638

The Company recognized a recovery of accounts payable of $nil and $198,378 due to related parties as a result of debt settlement agreements for the years ended May 31, 2023 and 2022, respectively.

During the year ended May 31, 2023, the Company recorded a gain on settlement of accounts payable and accrued liabilities owed to related parties of $361,415.

15. MANAGEMENT OF CAPITAL

The Company considers items within shareholders' deficiency as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its assets and to maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk. The Company is not subject to any externally imposed capital requirements.

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

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

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, 2023.

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) 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, receivable from KCA, restricted assets, accounts payable, convertible debt, short-term loans, and notes payable.

The fair value of marketable securities are measured on the statement of financial position using level 1 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.

b) 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.

i) 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 receivable and cash held with financial institutions. 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.

ii) 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 accounts payable have contractual maturities of 30 days or are due on demand and are subject to normal trade terms.

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

c) Financial instrument risk exposure (cont'd…)

iii) 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

iv) 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, 2023, the Company has approximately $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.

v) 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 notes have a short-term maturity and/or a fixed interest rate.

vi) 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. 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. The Company then sent the IRS a formal request to waive the penalties and interest, which was recently denied by the IRS. The Company submitted its appeal and is awaiting its adjudication.

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 common shares of the Company with a fair value of $128,667 were held in escrow for payment to the IRS and are recorded by the Company as a restricted asset of $40,000 and treasury shares of $128,667. 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. As at May 31, 2023 the total accrued payroll liability is $990,891 (May 31, 2022: $702,723), $299,895 is related to the older time periods as referenced above (May 31, 2022: $339,895). As part of the settlement agreement with the former CFO, if the Company failed to pay the entire trust fund payment by December 31, 2022, the Company must transfer the 2,950,000 common shares back to the former CFO who, pursuant to the settlement agreement, are permitted to sell the shares and use the proceeds to repay the IRS liability. The Company recognized an obligation to issue shares totaling $108,855 that represents the fair value of the 2,950,000 common shares owed to the former CFO.

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18. RESTATEMENT

The Company has restated the comparative financial information on the statements of financial position as at May 31, 2022 and the comparative financial information on the statements of loss and comprehensive loss, cash flows and changes in shareholders' deficiency for the year ended May 31, 2022. The restatement is a result of the Company erroneously recording restricted assets of $147,500, consisting of the Company's own common shares in addition to the Company erroneously recording a gain on forgiveness of debt in relation to the part settlement of the IRS matter (Note 17) in the prior year.

To correct the prior year entry, the common shares received were recorded as treasury shares at their fair value of $128,667 during the year ended May 31, 2022.

During the year ended May 31, 2023, the Company failed to pay the entire trust fund payment by December 31, 2022 (Note 17), which resulted in the Company setting up an obligation to issue shares at the fair value on December 31, 2022 in the amount of $108,855.

Effects on Statements of Financial Position

					As at May 31, 2022	
		Previously stated		**Adjustments**		**As Restated**
Restricted assets	$	187,500	$	(147,500)	$	40,000
Total Assets	$	748,487	$	(147,500)	$	600,987
Treasury Shares	$	-	$	(128,667)	$	(128,667)
Deficit	$	(37,870,854)	$	(18,833)	$	(37,889,687)
Total shareholders' deficiency	$	(8,957,826)	$	(147,500)	$	(9,105,326)

Effects on Statements of Loss and Comprehensive Loss

			For the year ended May 31, 2022			
		Previously stated		**Adjustments**		**As restated**
Gain on forgiveness of debt	$	402,248	$	(265,500)	$	136,748
Unrealized loss on restricted assets	$	(118,000)	$	118,000	$	-
Loss for the year	$	(2,478,771)	$	(147,500)	$	(2,626,271)

Effects on Statements of Cash Flows

				For the year ended May 31, 2022		
Operating activities:		**Previously stated**		**Adjustments**		**As restated**
Gain on settlement/restructure and write off of debt	$	(438,283)	$	265,500	$	(172,783)
Unrealized loss on restricted assets	$	118,000	$	(118,000)	$	-
Loss for the year	$	(2,478,771)	$	(147,500)	$	(2,626,271)
Non-cash transactions:						

Return of treasury shares	$	-	$	128,667	$	128,667

19. SUBSEQUENT EVENTS

a) The Company raised funds to provide working capital subsequent to May 31, 2023 as follows:

i) The Company received $50,000 from lenders in 10% Demand Notes intended to be invested in the Company's Offering.
ii) The Company received non-interest-bearing advances, payable on demand of $101,345 from two Officers and Directors of the Company.

b) Joint Venture formed with Magnolia Point LLC known as Magnative Health Inc.

Effective July 12, 2023, the Company and Magnolia Point LLC, a Delaware limited liability company, entered into a Shareholders Agreement forming Magnative Health Inc., an Arizona Corporation. The Company will initially own 61.11% and Magnolia Point LLC will initially own 38.89% of Magnative Health Inc.