



Certive Solutions Inc.

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

For the year ended May 31, 2015

CONSOLIDATED FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Certive Solutions Inc.:

We have audited the accompanying consolidated financial statements of Certive Solutions Inc. which comprise the statements of financial position as at May 31, 2015 and 2014, and the statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Certive Solutions Inc. as at May 31, 2015 and 2014, and its operations and cash flows for the periods then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which indicates that the Company has a working capital deficit of \$3,763,867 (2014 - \$427,352), a loss for the year of \$2,314,678 (2014 - \$2,130,905) and a deficit of \$15,642,431 (2012 - \$13,327,753). These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Buckley Dodds Parker LLP

Chartered Professional Accountants
Vancouver, British Columbia
September 28, 2015

Certive Solutions Inc.

Consolidated statement of financial position as at
(Expressed in U.S. Dollars)

	Notes	May 31, 2015	May 31, 2014
ASSETS			
Current			
Cash		\$ 852,809	\$ 101,802
Receivables	6	374,475	18,654
Prepayments		-	20,000
Loans receivable	7	24,000	274,263
		<u>\$ 1,251,284</u>	<u>\$ 414,719</u>
Capital assets	8	30,740	-
Customer list	9, 19	3,046,402	-
Software development	10	167,581	1
		<u>\$ 4,496,007</u>	<u>\$ 414,720</u>
LIABILITIES			
Current			
Accounts payable and accrued liabilities	11	\$ 853,100	\$ 374,700
Convertible debt	12	3,313,915	330,022
Short term loan	13	848,136	137,350
		<u>\$ 5,015,151</u>	<u>\$ 842,072</u>
SHAREHOLDERS' EQUITY			
Share capital	15	12,295,636	12,515,271
Reserve - Transactions costs		(144,689)	(144,689)
Equity portion of convertible debt	12	479,268	83,886
Other equity instruments	14	2,047,139	-
Contributed surplus		445,933	445,933
Deficit		(15,642,431)	(13,327,753)
		<u>\$ (519,144)</u>	<u>\$ (427,352)</u>
Total equity and liabilities		<u>\$ 4,496,007</u>	<u>\$ 414,720</u>

ON BEHALF OF THE BOARD:

<u>"Brian Cameron"</u>	Director	<u>"Van Potter"</u>	Director
Brian Cameron		Van Potter	

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

Certive Solutions Inc.

Consolidated statement of loss and comprehensive loss for the year ended May 31,
(Expressed in U.S. Dollars)

	Notes	2015	2014
REVENUE			
Billing support	\$	1,490,403	\$ -
Claim audit and collections		1,639,307	-
Consulting revenue		711,877	-
Dashboard sales		21,250	-
TOTAL REVENUE		3,862,837	
OPERATING EXPENSES			
Commission		69,304	-
Contractors and consultants fees		710,651	-
Direct Payroll and employees benefits		2,274,928	-
Travel to client sites		14,300	-
License Fees		10,923	-
TOTAL OPERATING EXPENSES		3,080,106	-
GROSS PROFIT		782,731	-
EXPENSES			
Sales and Marketing		-	206,633
Salaries and wages		292,679	-
Bank charges and interest expense		456,177	131,590
Doubtful expense		365,687	20,000
Consulting fees		238,900	128,533
Corporate finance		167,115	371,700
Depreciation expense		23,530	-
Management fees		415,800	510,000
Foreign exchange loss		21,527	126,564
General and administrative		256,480	29,422
Investor relations		171,465	152,974
Professional Fees		365,593	49,170
Rent		144,508	23,209
Transfer agent and filing fees		18,695	26,588
Travel and promotion		159,253	65,522
TOTAL EXPENSES		3,097,409	1,841,905
OTHER ITEMS			
Impairment of software		-	309,000
Other income		-	(20,000)
LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	\$	(2,314,678)	\$ (2,130,905)
Basic and diluted loss per common share	16	\$ (0.06)	\$ (0.08)
Weighted average number of common shares outstanding		41,067,083	26,691,322

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

Certive Solutions Inc.

Consolidated statement of cash flows for the year ended May 31,
(Expressed in U.S. Dollars)

	2015	2014
CASH FLOWS USED IN OPERATING ACTIVITIES		
Loss for the period	\$ (2,314,678)	\$ (2,130,905)
Adjustments for:		
Depreciation expense	23,530	-
Doubtful accounts expense	365,687	20,000
Common shares	27,900	(144,689)
Related parties	(115,424)	(218,921)
Business acquisitions	(926,100)	-
Changes in non-cash working capital:		
Receivables	(355,821)	(27,277)
Prepaid and other assets	20,000	(40,000)
Accounts payable and accrued liabilities	500,095	(30,740)
Net cash used in operating activities	(2,774,811)	(2,572,532)
CASH FLOWS USED IN INVESTING ACTIVITIES		
Capital assets	(16,164)	-
Software technology development costs	-	-
Business acquisitions	(100,000)	-
Net cash used in investing activities	(116,164)	-
CASH FLOWS USED IN FINANCING ACTIVITIES		
Convertible debt	990,000	26,119
Short term loan	1,099,517	(311,578)
Subscription payable	1,400,000	-
Common shares	152,465	2,956,170
Net cash used in financing activities	3,641,982	2,670,711
CHANGE IN CASH DURING THE YEAR	751,007	98,179
OPENING CASH BALANCE	101,802	3,623
CASH, END OF PERIOD	\$ 852,809	\$ 101,802
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ -	\$ -
Cash paid for income taxes	-	-

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

Certive Solutions Inc.

Consolidated statement of changes in equity for the year ended May 31,
(Expressed in U.S. Dollars)

	Number of shares	Share capital	Reserve Transaction costs	Contributed surplus	(Note 14) Other equity instruments	Equity portion of convertible debt	Deficit	Total Equity
Balance as at May 31, 2013	28,317,354	\$ 9,559,101	\$ -	\$ 445,933	\$ -	\$ 80,942	\$ (11,196,848)	\$ (1,110,872)
Common shares issued for:								
Cash - \$0.15	2,666,667	400,000	-	-	-	-	-	400,000
Equity portion of convertible debt	-	-	-	-	-	2,944	-	2,944
2:1 Share consolidation	(15,490,700)	-	-	-	-	-	-	-
Private placement - \$0.1	24,114,810	2,411,481	-	-	-	-	-	2,411,481
Treasury order - \$0.1	1,430,960	144,689	(144,689)	-	-	-	-	-
Loss and comprehensive loss	-	-	-	-	-	-	(2,130,905)	(2,130,905)
Balance at at May 31, 2014	41,039,091	\$ 12,515,271	\$ (144,689)	\$ 445,933	\$ -	\$ 83,886	\$ (13,327,753)	\$ (427,352)
Equity portion of convertible debt	-	-	-	-	-	395,382	-	395,382
Private placement - \$0.14 (CAD 0.15)	200,000	27,900	-	-	-	-	-	27,900
Exercise of warrants - \$0.14 (CAD 0.15)	1,077,864	152,465	-	-	-	-	-	152,465
Private placement - Adjustment	(1,333,333)	(400,000)	-	-	-	-	-	(400,000)
Shares to be issued	-	-	-	-	2,047,139	-	-	2,047,139
Loss and comprehensive loss	-	-	-	-	-	-	(2,314,678)	(2,314,678)
Balance as at May 31, 2015	40,983,622	\$ 12,295,636	\$ (144,689)	\$ 445,933	\$ 2,047,139	\$ 479,268	\$ (15,642,431)	\$ (519,144)

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

CERTIVE SOLUTIONS INC.

Notes to consolidated financial statements

For the years ended May 31, 2015 and 2014

(Expressed in U.S. Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Certive Solutions Inc. (“the Company”) was incorporated under the Laws of British Columbia and is traded on the Canadian Security Exchange (“CSE”). The Company provides revenue cycle management solutions to U.S. hospitals, delivered collaboratively, utilizing proprietary workflow document management and analytics management tailored to health care business processes. The Company is currently focused on the denied claim segment of revenue cycle management and provides solutions to enhance the efficiency and effectiveness of denied claims recovery in a revenue sharing relationship that improves hospitals’ net operating results.

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

The consolidated financial statements were prepared on a going concern basis, under the historical cost convention. 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. The Company has minimal capital resources presently available to meet obligations which normally can be expected to be incurred by similar companies and has a working capital deficit of \$3,763,867 (May 31, 2014 - \$427,352), a loss for the year of \$2,314,678 (2014 - \$2,130,905) and a deficit of \$15,642,431 (May 31, 2014 - \$13,327,753).

Management of the Company does not expect that cash flows for the Company’s operations will be sufficient to cover all of its operating requirements, financial commitments and business development priorities during the next twelve months. Accordingly, the Company expects that it will need to obtain further financing in the form of debt, equity or a combination thereof for the next twelve months. There can be no assurance that additional funding will be available to the Company, or, if available, that this funding will be on acceptable terms. If adequate funds are not available, the Company may be required to delay or reduce the scope of any or all of its operations.

2. BASIS OF PRESENTATION

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 International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

The consolidated financial statements have been prepared on a historical cost basis except for certain financial assets measured at fair value as explained in the accounting policies set out in Note 3. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The comparative figures presented in these consolidated financial statements are in accordance with IFRS.

These consolidated financial statements were authorized by the audit committee and board of directors of the Company on September 28, 2015

CERTIVE SOLUTIONS INC.

Notes to consolidated financial statements

For the years ended May 31, 2015 and 2014

(Expressed in U.S. Dollars)

2. BASIS OF PRESENTATION (cont'd...)

Use of estimates and judgments

The preparation of the consolidated financial statements 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.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting year, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

i) Depreciation

The Company's management exercises its judgment in estimating the useful lives of the depreciable assets. The estimated useful lives reflect the management's estimate of the years the Company intends to derive future economic benefits from the use of these assets. The Company depreciates its capital assets in accordance with the accounting policies stated in Note 3.

ii) Recovery of deferred tax assets

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

Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future years.

iii) 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.

Determination of functional currency

The functional currency is the currency of the primary economic environment in which the entity operates. Management has determined that the functional currency for the Company is the U.S. dollars. The functional currency determination was conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

CERTIVE SOLUTIONS INC.

Notes to consolidated financial statements

For the years ended May 31, 2015 and 2014

*(Expressed in U.S. Dollars)***3. SIGNIFICANT ACCOUNTING POLICIES****Basis of consolidation**

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

Name of Subsidiary	Place of Incorporation	Proportion of Ownership Interest	Principal Activity
Advantive Information Systems Inc.	Vancouver, BC	100%	Information Technology
Certive Technologies Arizona Inc.	Scottsdale, Arizona	100%	Information Technology

Foreign exchange

Transactions in currencies other than the U.S. dollars 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.

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.

Capital assets

Capital assets are stated at cost or deemed cost less accumulated amortization and are amortized over their useful life. The Company regularly reviews its capital assets to eliminate obsolete items.

CERTIVE SOLUTIONS INC.

Notes to consolidated financial statements

For the years ended May 31, 2015 and 2014

(Expressed in U.S. Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Financial instruments

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized through profit or loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized through profit or loss.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized through profit or loss.

The Company has not classified any financial assets as held-to-maturity or available for sale.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a Company of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

The Company has classified its cash as fair value through profit or loss. The Company's receivables and due from related parties are classified as loans and receivables.

CERTIVE SOLUTIONS INC.

Notes to consolidated financial statements

For the years ended May 31, 2015 and 2014

(Expressed in U.S. Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Financial instruments (cont'd...)

Financial liabilities (cont'd...)

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized through profit or loss.

Other financial liabilities: This category includes short term loans, promissory notes, convertible debts, amounts due to related parties, and accounts payables and accrued liabilities, all of which are recognized at amortized cost.

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 taken into account. 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 year of five years. For longer years, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, are recognised 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 OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised 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 recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount

CERTIVE SOLUTIONS INC.

Notes to consolidated financial statements

For the years ended May 31, 2015 and 2014

(Expressed in U.S. Dollars)

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.

Goodwill is tested for impairment annually in May and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or Company of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future years.

Intangible assets with indefinite useful lives are tested for impairment annually in May at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

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.

CERTIVE SOLUTIONS INC.

Notes to consolidated financial statements

For the years ended May 31, 2015 and 2014

(Expressed in U.S. Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Company elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of *IAS 39 Financial Instruments: Recognition and Measurement*, is measured at fair value with changes in fair value recognised either in either profit or loss or as a change to OCI. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Company re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

CERTIVE SOLUTIONS INC.

Notes to consolidated financial statements

For the years ended May 31, 2015 and 2014

(Expressed in U.S. Dollars)

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.

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share purchase options are recognized as a deduction from equity, net of any tax effects.

Interest-bearing loans and other borrowings

Interest-bearing loans and other borrowings are recognized initially at fair value less related transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the income statement over the year of borrowings on an effective interest basis.

CERTIVE SOLUTIONS INC.

Notes to consolidated financial statements

For the years ended May 31, 2015 and 2014

(Expressed in U.S. Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Revenue recognition

- (i) *Billing Support:* Revenue from billing support services is recognized when billed to the customer. Invoices are issued to customers after the service is rendered on the basis of time charged at contracted hourly rates.
- (ii) *Claim Audit and Recovery:* Revenue from claim audit and recovery services are billed to the customer after the recovery has been determined as to amount and after the total recovered amount is paid to the customer by the payer (commercial insurance or Medicare/Medicaid). Contracted percentages of total recoveries from the invoice to the customer.
- (iii) *Consulting Services:* Consulting revenues are billed in accordance with contracted hourly rates after the service have been performed.

The company recognized \$3,862,837 as revenue during the year ended May 31, 2015 (2014 - \$nil).

Future accounting pronouncements

A number of new standards, amendments to standards and interpretations are not yet effective as at May 31, 2015, 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 financial statements.

IFRS 15 - Revenue from Contracts and Customers ("IFRS 15"), was issued by the IASB on May 28, 2014, and will replace IAS 18, Revenue, IAS 11, Construction Contracts, and related interpretations on revenue. IFRS 15 sets out the requirements for recognizing revenue that apply to all contracts with customers, except for contracts that are within the scope of the Standards on leases, insurance contracts and financial instruments. IFRS 15 uses a control based approach to recognize revenue which is a change from the risk and reward approach under the current standard. Companies can elect to use either a full or modified retrospective approach when adopting this standard and it is effective for annual years beginning on or after January 1, 2017. The Company is currently evaluating the impact of IFRS 15 on its financial statements.

IFRS 9 - Financial Instruments, addresses classification, measurement and recognition of financial assets and financial liabilities. The final version of IFRS 9, Financial Instruments, was issued by the IASB in July 2014 and will replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 introduces a model for classification and measurement, a single, forward looking "expected loss" impairment model and a substantially reformed approach to hedge accounting. The new single, principle based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit and loss. IFRS 9 is effective for annual years beginning on or after January 1, 2018, however is available for early adoption. In addition, the own credit risk changes can be early adopted in isolation without otherwise changing the accounting for the financial instruments. The Company is currently evaluating the impact of IFRS 9 on its financial statements.

CERTIVE SOLUTIONS INC.

Notes to consolidated financial statements

For the years ended May 31, 2015 and 2014

(Expressed in U.S. Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Convertible notes

Convertible notes are separated into liability and equity components based on the terms of the contract.

On issuance of the notes, the fair value of the liability component is determined using a market rate for an equivalent non-convertible instrument. This amount is classified as a financial liability measured at amortised cost (net of transaction costs) until it is extinguished on conversion or redemption.

The remainder of the proceeds is allocated to the conversion option that is recognised and included in equity. Transaction costs are deducted from equity, net of associated income tax. The carrying amount of the conversion option is not remeasured in subsequent years.

Transaction costs are apportioned between the liability and equity components of the convertible notes based on the allocation of proceeds to the liability and equity components when the instruments are initially recognised.

CERTIVE SOLUTIONS INC.

Notes to consolidated financial statements

For the years ended May 31, 2015 and 2014

(Expressed in U.S. Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation estimated at the end of each reporting year, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

4. MANAGEMENT OF CAPITAL

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

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

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

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, 2015.

CERTIVE SOLUTIONS INC.

Notes to consolidated financial statements

For the years ended May 31, 2015 and 2014

(Expressed in U.S. Dollars)

5. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial risk management

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

The fair value of cash is measured on the statement of financial position using level 1 of the fair value hierarchy. The fair value of convertible debt is measured on the statement of financial position using level 2 of the fair value hierarchy.

The fair values of receivables, due from related parties, accounts payable and accrued liabilities, due to related parties, subscriptions payable and short term loan approximate their book values because of the short-term nature of these instruments.

Financial instrument risk exposure

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

Credit risk

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

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 4. There is a risk that the Company may not be able to meet its financial obligation when they are due. All of the Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms. As at May 31, 2015 the Company has no financial assets that are past due or impaired due to credit risk defaults.

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. All of the Company's financial instruments are denominated in United States dollars. In management's opinion there is no significant foreign exchange risk to the Company.

CERTIVE SOLUTIONS INC.

Notes to consolidated financial statements

For the years ended May 31, 2015 and 2014

*(Expressed in U.S. Dollars)***5. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd...)***Transaction Costs*

Transaction costs attributable to the acquisition or issue of financial assets or financial liabilities, other than those classified as held-for-trading, are added to the initial fair value amount to match the costs with the related transactions. Purchases and sales of securities are accounted for on the settlement date basis.

6. RECEIVABLES

	May 31, 2015	May 31, 2014
Amounts due from the Government of Canada pursuant to GST input tax credits	\$ 1,319	\$ 18,654
Trade receivables	373,156	20,000
Allowance for doubtful account	-	(20,000)
Total	\$ 374,475	\$ 18,654

- The average credit period on rendering of services is between 30 to 45 days. No interest is charged on outstanding trade receivables.
- All the Company's receivables are current and expected to be collected by the due date.
- In determining the recoverability of a trade receivable, management considers the history of collection from the client and any changes in credit quality of the receivable from the date the credit was initially granted.
- In the current year, the Company wrote off receivable of \$20,000 that was previously provided for doubtful allowance, No further changes have been made to the allowance for doubtful debts in the current year.

7. LOANS RECEIVABLE

Carried at amortized cost	May 31, 2015	May 31, 2014
Loans to related parties	\$ 365,687	\$ 254,263
Allowance for doubtful debts - related parties	(365,687)	-
Loans to other entities	24,000	20,000
Total	\$ 24,000	\$ 274,263

CERTIVE SOLUTIONS INC.

Notes to consolidated financial statements

For the years ended May 31, 2015 and 2014

(Expressed in U.S. Dollars)

7. LOANS RECEIVABLE (cont'd...)

- All loans receivable are unsecured, non interest bearing loans with no specified repayment date.
- During the current financial year, the Company has recorded allowance for doubtful debts for the full amount receivable from one of its related parties (Company with common directors), which has a history of losses and growing deficit. The Company doesn't hold any collateral over this balance, Management of the related party are confident that they will be able to settle the amount outstanding in full in the future.

8. CAPITAL ASSETS

	Note	Furniture and equipment
Balance as at May 31, 2014		\$ -
Assets acquired as part of business combinations	9	38,106
Additions during the period		16,164
Depreciation		<u>(23,530)</u>
Balance as at May 31, 2015		<u>\$ 30,740</u>

The Capital assets of the company is made mainly of furniture and fixtures and depreciated using the straight line depreciation method over 2 years.

CERTIVE SOLUTIONS INC.

Notes to consolidated financial statements

For the years ended May 31, 2015 and 2014

(Expressed in U.S. Dollars)

9. CUSTOMER LIST, RELATIONSHIPS AND BUSINESS COMBINATIONS

Customer list and relationships

As part of several business combination transactions during the year, the Company acquired the customer portfolio and relationships of the acquiree, this resulted in recognizing intangible assets of \$3,046,402 at the acquisition date, representing the value of the customer lists acquired.

In addition to the intangible assets acquired, furniture and fixtures at the value of \$38,106 (*Note 8*) was acquired and recognized in the Balance Sheet at the acquisition date.

Customer relationships are supported by service agreements that provide the basis only for economic benefit to accrue to the Company. These service agreements auto renew as a standard part of the relationship with each separately identifiable customer. In accordance with *IAS 38 para 16*, the service agreement establishes the means to place an economic benefit upon these long term customer relationships. The Company has many service agreements with multiple customers and therefore controls the economic benefit associated with this intangible asset.

Accordingly no amortization of the value associated with the customer relationships has been calculated in the current year. At each year end, the Company will test impairment of the customer relationships using standard measures for such impairment. The useful life of these relationships has historically been demonstrated as indefinite.

The intangible assets of the Company consist mainly of the customer relationships, access to customer's information and the supporting service agreements acquired during the following business combinations:

Balance as at May 31, 2014	-
Acquisition of Titan Health Management Solutions Inc.	\$ 2,530,547
Acquisition of Knowledge Capital Alliance	<u>515,855</u>
Balance as at May 31, 2015	<u>3,046,402</u>

CERTIVE SOLUTIONS INC.

Notes to consolidated financial statements

For the years ended May 31, 2015 and 2014

(Expressed in U.S. Dollars)

9. CUSTOMER LIST, RELATIONSHIPS AND BUSINESS COMBINATIONS (cont'd...)

Business Combination transactions

Acquisition of Titan Health Management Solutions Inc.

On July 3, 2014, the Company closed the purchase of the business of Titan Health Management Solutions Inc. (“**Titan**”) of Tucson Arizona. The assets acquired include all of the computer hardware and software necessary to conduct the business, the contracts that Titan Health has with its hospital customers, the brand and logos of Titan, and all of the intellectual properties used by Titan Health to conduct its business.

The purchase price for the purchased assets was two million seven hundred and eleven U.S. dollars (\$2,711,000 USD).

- The Company paid Titan Health one hundred thousand U.S. dollars (\$100,000 USD) in cash on July 3, 2014. The Company will pay to Titan Health two hundred and eight thousand U.S. dollars (\$208,000 USD) in cash on or before December 31, 2015.
- In addition, the Company has signed a convertible promissory note, in original principal amount of one million eight hundred thousand U.S. dollars (\$1,800,000 USD), which Convertible Note shall provide for payment, plus accrued and unpaid interest, to be paid on or before December 31, 2015, if not otherwise converted into shares of the Company.
- The Company will issue to Titan Health a total of 1,000,000 common shares of Company in partial payment of the purchase price
- The Company will also issue to Titan Health a total of 1,250,000 preferred shares of Company at the closing in partial payment of the Purchase Price which are convertible on a 1 for 1 basis into common shares of the Company on the following basis; Upon Titan Health generating cumulative aggregate gross revenues in the amount of \$4,200,000 in incremental revenue commencing July 1, 2014 and continuing until such cumulative gross revenues have been attained.

Acquisition of Knowledge Capital Alliance Inc.

On August 31, 2014 the Company, acquired 100% of the assets of Knowledge Capital Alliance (“**KCA**”) of Phoenix, Arizona. The assets acquired include all of the computer hardware and software necessary to conduct the business, the contracts that KCA has with its customers, the brand and logos of KCA, and all of the intellectual property used by KCA to conduct its business.

The purchase price for the assets was five hundred and seventy nine thousand three hundred U.S. dollars, (US\$579,300), and will be paid by as follows:

- The Company will pay to KCA seventy two thousand U.S. dollars (US\$72,000, in two equal tranches of US\$36,000, one payment due on or before May 31, 2015, subject to the satisfactory transfer of all scheduled contracts, and the other due on or before January 1, 2016. The Company has revised the payment schedule to US\$5,000.00 per month until the balance is paid in full

CERTIVE SOLUTIONS INC.

Notes to consolidated financial statements

For the years ended May 31, 2015 and 2014

(Expressed in U.S. Dollars)

9. CUSTOMER LIST, RELATIONSHIPS AND BUSINESS COMBINATIONS (cont'd...)

Acquisition of Knowledge Capital Alliance Inc. (cont'd...)

- The Company will issue to KCA a total of 900,000 common shares of its capital stock at a deemed price of CA\$0.30 per share. Upon issuance, the Closing Shares shall be validly authorized and issued, fully paid, and non-assessable.
- The Company shall assume the KCA obligation to a promissory note with Tom Keller ("Keller") in the amount of US\$256,200 on the condition that the note is retired from the KCA cash flow.

The Company entered into transition services agreements with both Titan Health and KCA effective June 1, 2014 and accordingly all of the financial affairs of both companies will be consolidated with that of the Company's effective June 1, 2014 insofar as the Company had complete financial control of both enterprises as of that date.

On September 22, 2015, the Company completed a valuation of the purchase price for the Titan assets. The valuation concluded that the total value of the assets acquired was \$2,568,653, comprised of \$38,106 in furniture, fixtures and equipment and \$2,530,547 represented by the value of customer relationships. Accordingly the value recorded on the Company's books and records has been adjusted from \$2,711,000 to \$2,568,653.

On September 24, 2015, the Company completed a valuation of the purchase price for the KCA assets. The valuation concluded that the total value of the assets acquired was \$515,855, comprised wholly of customer relationships. Accordingly the value recorded on the Company's books and records has been adjusted from \$579,300 to \$515,855.

As a result of these acquisitions the Company recorded total revenue from Titan's operations of \$3,129,710 and total revenue of \$733,127 from KCA's operations

10. SOFTWARE DEVELOPMENT

The Company has capitalized at total of \$167,581 in costs related to the ongoing development of workflow technologies that support its revenue cycle management services business.

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

<u>Falling due within the next twelve months</u>	<u>May 31, 2015</u>	<u>May 31, 2014</u>
Accounts payable	\$ 369,776	\$ 252,824
Accrued liabilities	483,324	121,876
<u>Total</u>	<u>\$ 853,100</u>	<u>\$ 374,700</u>

CERTIVE SOLUTIONS INC.

Notes to consolidated financial statements

For the years ended May 31, 2015 and 2014

*(Expressed in U.S. Dollars)***12. CONVERTIBLE DEBT**

During the year ended May 31, 2015 the Company issued the following convertible notes:

A Convertible debt in the amount of \$400,000 bearing interest at the rate of 5% and is due on March 14, 2019. The lender is entitled, at his sole option, to convert at any time, until payment in full of this promissory note, all or any part of the principal amount owing, plus accrued interest, into shares at a price per unit equal to \$0.15 per share.

As part of the acquisition of Titan health management, the company issued a convertible debt in the amount of \$1,800,000. The debt bears interest at 5% and is due on December 31, 2015. The entire amount can be converted into 2,250,000 common shares (a deemed conversion price of \$0.80 per share).

Several loans to with total amount of \$990,000 payable to several unrelated parties with annual interest rate of 10% payable on semi-annual basis. The loans mature on June 30, 2016, and are fully secured against the assets of the Company. The lenders are entitled, at their sole option, to convert at any time, until payment in full of these promissory note, all or any part of the principal amount owing, plus accrued interest, into shares at a price per unit equal to \$0.25 per share.

On initial recognition, the fair value of the liability component is the present value of the contractually determined stream of future cash flows discounted at the rate of interest applied at the time by the market to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the conversion option. The difference is attributed to the equity component of the compound financial instrument.

Therefore, we have derecognized the liability component of \$301,577 and recognized this as equity in accordance with IAS 32. The market rate for similar debts was determined to be 15%.

The initial recognition of the liability component of convertible debt is as follows:

	May 31, 2015
Convertible debt issued during the year	\$ 3,190,000
Transaction costs	-
Equity portion of convertible debt	<u>(395,382)</u>
Present value of the liability component of convertible debt	<u>\$ 2,794,618</u>

CERTIVE SOLUTIONS INC.

Notes to consolidated financial statements

For the years ended May 31, 2015 and 2014

*(Expressed in U.S. Dollars)***12. CONVERTIBLE DEBT (cont'd...)**

The equity component of convertible debt is recognized as follows:

Balance as at May 31, 2013	\$	80,942
Equity portion of convertible debt		<u>2,944</u>
Balance as at May 31, 2014	\$	83,886
Addition of convertible debt - equity portion	\$	<u>395,382</u>
Balance as at May 31, 2015	\$	<u>479,268</u>

A reconciliation of the liability component of convertible debt is as follows:

Balance as at May 31, 2013	\$	306,847
Undwinding of discount		<u>23,175</u>
Balance as at May 31, 2014	\$	330,022
Addition of convertible debt - liability component		2,794,618
Unwinding of discount		<u>189,275</u>
Balance as at May 31, 2015	\$	<u>3,313,915</u>

CERTIVE SOLUTIONS INC.

Notes to consolidated financial statements
For the years ended May 31, 2015 and 2014
(Expressed in U.S. Dollars)

13. LOANS PAYABLE

The loans are made of the following:

			May 31, 2015		May 31, 2014
Loans from related parties	(i)	\$	522,416	\$	20,000
Loans from other entities	(ii)		325,720		117,350
		\$	848,136	\$	137,350

(i) Loans from related parties

Loan of the amount of \$208,000 non interest bearing loan payable to Titan Health Management Solution inc. on or before December 31, 2014. The Company has not yet made this payment and by mutual agreement the time to make the payment has been extended to December 31, 2015. The loan is unsecured

Several non interest bearing loans with total amount of \$314,416 payable to several related parties. The loans have no terms of repayment and unsecured.

(ii) Loans from other entities

The loans from other entities have no terms of repayment, are non-interest bearing and are unsecured. The loan holders and the Company are currently in negotiations to extinguish the debt for shares or financial assets.

14. SUBSCRIPTIONS PAYABLE

During the year ended May 31, 2015, the Company received the sum of \$1,400,000 from several unrelated parties as an advanced payment for shares to be issued in private placement.

In addition the Company entered into several contractual agreements with several related parties to deliver shares in private placements as settlement for assets purchased.

No shares were issued as of the date of release of theses financial statements.

CERTIVE SOLUTIONS INC.

Notes to consolidated financial statements

For the years ended May 31, 2015 and 2014

(Expressed in U.S. Dollars)

15. SHARE CAPITAL

a) Common stock

Authorized

Unlimited common shares without par value

Unlimited Class A Preferred shares without par value, dividend at 12% of profits or surplus, redeemable at any time

Unlimited Class B Preferred shares without par value, dividend at 13% of profits or surplus, redeemable at any time.

Issued and outstanding

During the year ended May 31, 2015, the Company had the following shares transactions:

- On July 31, 2014 the Company issued 200,000 shares with value of \$27,900 for services as part of private placement at \$0.14 (CAD 0.15) per share to unrelated parties.
- On November 11, 2014 the Company issued 1,077,864 shares with value of \$152,465 for settlement of debts as part of warrant exercise transaction at \$0.14 (CAD 0.15) per share to unrelated parties.
- On November 11, 2014, the Company cancelled 1,333,333 shares with a value of \$400,000, the shares were originally issued as part of private placement

During the year ended May 31, 2014, the Company had the following shares transactions:

- On June 17, 2013, the Company issued 2,666,667 shares with a value of \$400,000 for cash to an unrelated company.
- On October 7, 2013 the Company consolidated its share capital on a 2:1 basis, reducing the total outstanding number of shares by 15,490,700.
- On March 10, 2014 the Company issues 24,114,810 shares with value of \$2,411,481 for cash and services as part of private placement.
- On April 2, 2014, the Company issued 1,430,960 shares with a value of \$144,689 as settlement amount for finder's fees related to the private placement.

CERTIVE SOLUTIONS INC.

Notes to consolidated financial statements

For the years ended May 31, 2015 and 2014

*(Expressed in U.S. Dollars)***15. SHARE CAPITAL (cont'd...)**

During the year ended May 31, 2013, the Company had the following shares transactions:

- On June 18, 2012 the Company issued 15,600 shares with a value of \$7,020 as part of a bonus on convertible debt.
- On June 20, 2012 the Company issued 24,400 shares with a value of \$12,200 as part of a bonus on convertible debt.
- On June 28, 2012 the Company issued 96,000 shares with a value of \$48,000 as part of a bonus on convertible debt.
- On August 22, 2012 the Company issued 20,000 shares with a value of \$9,000 as part of a bonus on convertible debt.
- On August 28, 2012 the Company issued 28,000 shares with a value of \$12,600 as part of a bonus on convertible debt.

b) Share purchase warrants

The following table summarizes the continuity of share purchase warrants:

	Number of Warrants	Weighted Average Exercise Price
Balance as at May 31, 2013	2,556,069	\$ 0.54
Granted	14,149,032	0.15
Expired/cancelled	(2,556,069)	0.54
Balance as at May 31, 2014	14,149,032	\$ 0.15
Granted	-	-
Exercised	(1,077,864)	0.15
Balance as at May 31, 2015	13,071,168	\$ 0.17

16. BASIC AND DILUTED EARNING (LOSS) PER SHARE

The calculation of basic earnings (loss) per share for the year ended May 31, 2015 was based on the net loss attributable to common shareholders of \$2,314,678 (2014 – \$2,130,905) and the weighted average number of common shares outstanding of 41,067,083 (2014 – 26,691,322) respectively.

The Company does not have any instruments that would give rise to a dilution effect.

CERTIVE SOLUTIONS INC.

Notes to consolidated financial statements

For the years ended May 31, 2015 and 2014

*(Expressed in U.S. Dollars)***17. INCOME TAXES**

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

	May 31, 2015	May 31, 2014
Loss for the Period	\$ (2,314,678)	\$ (2,130,905)
Statutory tax rate	25%	25%
Expected income tax (recovery)	(578,670)	(532,726)
Change in statutory rates	-	-
Temporary differences	-	71,843
Net change in valuation allowance	578,670	460,883
Total income tax expense (recovery)	\$ -	\$ -

The significant components of the Company's deferred tax assets are as follows:

	May 31, 2015	May 31, 2014
Deferred tax assets (liabilities)		
Non-capital losses available for future period	\$ 4,448,948	\$ 3,870,278
Unrecognized deferred tax assets	(4,448,948)	(3,870,278)
Net deferred tax assets	\$ -	\$ -

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

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

	May 31, 2015	May 31, 2014	Expiry Date Range
Temporary differences			
Non-capital losses available for future period	\$ 4,448,948	\$ 3,870,278	2030-2035

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

CERTIVE SOLUTIONS INC.

Notes to consolidated financial statements

For the years ended May 31, 2015 and 2014

*(Expressed in U.S. Dollars)***18. RELATED PARTY TRANSACTIONS**

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

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

Name	Position and nature of relationship
Canadian Data Preserve, Inc.	Company with Common Directors
Advantive Information Management, Inc	Subsidiary
Certive Technologies Arizona Inc.	Subsidiary
Brian Cameron	Director
Van Potter	Director
John Ragan	Director
Michael Barlett	Director
Jack Saltich	Director
John Shakleton	Director
Thomas Hoehner	Key Management Personnel
Todd Hisey	Key Management Personnel
Fredrick Erickson	Key Management Personnel
Titan Health Management Solutions Inc.	Company controlled by key management personals
Knowledge Capital Alliance Inc.	Company controlled by key management personals

CERTIVE SOLUTIONS INC.

Notes to consolidated financial statements

For the years ended May 31, 2015 and 2014

*(Expressed in U.S. Dollars)***18. RELATED PARTY TRANSACTIONS (cont'd...)**

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

	Nature of related party relationship	Note	May 31, 2015	May 31, 2014
Loans receivable	Company controlled by common directors	7	\$ 365,687	254,263
Convertible loans - face value	Company controlled by Key management personnels	11	(1,800,000)	-
Loans payable	Directors	12	(20,000)	(20,000)
Loans payable	Companies controlled by Key management personnels	12	(542,416)	-
Equity instruments - shares settled	Companies controlled by Key management personnels	13	(844,100)	-
Total			(2,840,829)	234,263

Please refer to the respective financial statements notes for details on these amounts

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 year ended May 31, 2015 and 2014.

	2015	2014
Consulting fees	\$ 95,000	100,000
Management fees	415,800	\$ 538,533
Salaries to key management personnels	430,000	\$ -
Total	\$ 940,800	\$ 638,533

CERTIVE SOLUTIONS INC.

Notes to consolidated financial statements

For the years ended May 31, 2015 and 2014

*(Expressed in U.S. Dollars)***19. IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE LIVES**

Intangibles with indefinite useful life acquired through business combinations are allocated to Advantive Information Management (AIM), Titan Health Management (Titan) and Knowledge Capital Alliance (KCA) Cash Generating Units (“CGUs”), which are also operating and reportable segments, for impairment testing.

Carrying amount of intangibles allocated to each of the CGUs:

	Advantive Information Management (AIM)		Titan Health Management (Titan)		Knowledge Capital Alliance (KCA)		Total	
	May 31, 2014	May 31, 2014	May 31, 2014	May 31, 2014	May 31, 2014	May 31, 2014	May 31, 2014	May 31, 2014
Goodwill	-	-	-	-	-	-	-	-
Customer list	-	-	2,530,547	-	515,855	-	3,046,402	-
Software development (work in progress)	-	-	-	-	167,581	-	167,581	-

The Company is required to test, on an annual basis, whether goodwill has suffered any impairment. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the determination of a discount rate in order to calculate the present value of the cash flows.

The Company performed its annual impairment test in May 2015 and 2014. The Company considers the relationship between its market capitalization and its book value, among other factors, when reviewing for indicators of impairment. As at May 31, 2015 and 2014, the market capitalization of the Company was below the book value of its equity, indicating a potential impairment of goodwill and impairment of the assets of the operating segment.

CERTIVE SOLUTIONS INC.

Notes to consolidated financial statements

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(Expressed in U.S. Dollars)

19. IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE LIVES (cont'd...)

Advantive Information Management (AIM) CGU

As a result of the loss of the software license with Auresoft, recurring losses and the growing deficit in the AIM CGU, management has determined the recoverable amount of this CGU to be nil as at May 31, 2015 and 2014. Impairment loss of \$4,222,190 was recorded during the year ended May 31, 2013.

The recoverable amount has been determined based on a value in use calculation using cash flow projections from financial budgets covering a three-year year. The projected cash flows have been updated to reflect the impact of the loss of the software license with Auresoft. The pre-tax discount rate applied to cash flow projections is 15 % (2014: 15%) and cash flows beyond the three-year year are extrapolated using a 3.0% to 5% growth rate that is the same as the long-term average growth rate for the same industry. It was concluded that the fair value less costs of disposal did not exceed the value in use. As a result of this analysis, management has recognized an impairment charge of \$4,222,190 in the year ended May 31, 2014 against goodwill with a carrying amount \$4,222,190 as at May 31, 2013.

The Company recorded the AIM acquisition as goodwill insofar as the Auresoft software license, when originally issued to the Company was deemed to have an indefinite life with no quantified expiration. The only condition of the license was that the Company was required to pay a portion the revenues generated from the use of the license to Auresoft. When the license was terminated, its value was determined to be impaired and according it was written off.

Titan Health Management (Titan) and Knowledge Capital Alliance (KCA) CGUs

Intangibles with indefinite lives allocated to Titan and KCA CGUs was recognized as a result of business acquisitions during the current year and as a result of these acquisitions the Company recorded total revenue from Titan's operations of \$3,129,710 and total revenue of \$733,127 from KCA's operations

Management performs the impairment test for these CGU units by comparing carrying amount of the assets with its recoverable amount, in determining the recoverable of the assets, Management relies on the valuation metrics published by the Scott – Macon Healthcare Quarterly Reviews.

The report shows that the average sale price for similar businesses is 1.8 * revenue. By applying this rate to Titan and KCA, the fair value for each division would be \$5.6 million for Titan and \$1.3 for KCA, less estimated cost of sales between \$100,000 and \$500,000, the results would be higher recoverable amount than the current carrying value, therefore management has concluded that the assets of these CGUs are not impaired at year end.

Please refer to Note 9 for details on the business combinations transactions.

CERTIVE SOLUTIONS INC.

Notes to consolidated financial statements

For the years ended May 31, 2015 and 2014

(Expressed in U.S. Dollars)

20. SUBSEQUENT EVENTS

- On July 15, 2015, the Company closed the acquisition of the assets of Omega Technology Solutions LLC., of Fort Lauderdale, Florida. The purchase price for the purchased assets was two million five hundred thousand dollars (\$2,500,000) paid by Certive USA.
- Effective February 26, 2015, the Company announced a Unit Offering totaling US\$3,500,000 in its securities. Each Unit will consist of 1 share and 1 share purchase warrant. The Units are being offered to accredited investors only at a price of US\$.30 per Unit. The warrants will have a two year term from the date of closing the offering and will be exercisable at a price of US\$.35 per share. At the date of this MD&A, the Company has secured a total of US\$2,976,405 in equity capital from this financing.