



Smart Employee Benefits Inc.

**Unaudited Condensed Interim Consolidated Financial Statements
May 31, 2015**

The accompanying unaudited condensed interim consolidated financial statements of the Corporation have been prepared by and are the responsibility of the Corporation's management.

The Corporation's independent auditor has not performed a review of these unaudited condensed interim consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of condensed interim consolidated financial statements.

To the Shareholders of Smart Employee Benefits Inc.:

Management is responsible for the preparation and presentation of the accompanying unaudited interim condensed consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards and ensuring that all information in the quarterly reporting is consistent with the financial statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors is composed primarily of Directors who are neither management nor employees of the Company. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the quarterly report. The Board fulfills these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Board is also responsible for recommending the appointment of the Company's external auditor.

MNP LLP, an independent firm of Chartered Accountants, was appointed by the shareholders to audit the annual consolidated financial statements and report directly to them.

MNP LLP has not performed a review of these unaudited condensed interim consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of condensed interim consolidated financial statements.

July 28, 2015

John McKimm

Chief Executive Officer

Robert Prentice

Chief Financial Officer

Smart Employee Benefits Inc.

Table of Contents

May 31, 2015

	Page
Unaudited Condensed Interim Consolidated Financial Statements	
Unaudited Interim Consolidated Statement of Financial Position	4
Unaudited Interim Consolidated Statement of Changes in Shareholders' Equity	5
Unaudited Interim Consolidated Statement of Comprehensive Loss	6
Unaudited Interim Consolidated Statement of Cash Flows	7
Notes to Unaudited Condensed Interim Consolidated Financial Statements	8 – 31

Smart Employee Benefits Inc.
Unaudited Interim Consolidated Statement of Financial Position

	Note	May 31, 2015	Nov 30, 2014
Cash and cash equivalents		\$ 2,866,208	\$ 403,096
Accounts receivable		9,755,162	5,092,777
Inventory		55,244	95,825
Prepays and deposits		936,418	464,910
Total Current Assets		13,613,032	6,056,608
Long-term deposits		275,352	275,352
Associate investments		-	3,300,892
Equipment	5	945,548	623,489
Software	6	3,479,092	1,990,169
Intellectual property	6	87,083	92,583
Customer relationships	7	7,366,698	2,013,808
Trade names	8	3,351,234	1,235,369
Goodwill	4	7,936,313	3,283,157
Total Assets		\$ 37,054,352	\$ 18,871,427
Bank loan	9	\$ 3,803,464	\$ 1,482,208
Accounts payable and accrued liabilities		5,722,692	4,504,779
Deferred revenue	10	443,885	721,520
Short-term notes	14, 18	2,075,729	7,099
Current portion of equipment leases payable	11	11,851	35,260
Equipment loans	12	21,875	32,625
Government remittances and current taxes payable		889,159	775,091
Current portion of contingent consideration payable	21	90,000	93,962
Current portion of term bank loan	9	1,050,000	-
Current portion of convertible debt	13	4,095,333	678,928
Total Current Liabilities		18,203,988	8,331,472
Equipment leases payable	11	2,187	8,998
Contingent consideration payable	21	2,195,082	1,137,555
Convertible debt	13	1,031,200	4,009,624
Term bank loan	9	2,887,500	-
Deferred income taxes		724,506	865,027
Preferred shares		350,000	350,000
Total Long Term Liabilities		7,190,475	6,371,204
Share capital	15	19,870,506	15,093,132
Share issue costs		(612,979)	(612,979)
Contributed surplus		1,308,502	926,216
Warrants	15	3,996,188	3,693,108
Options	15	1,786,662	1,255,222
Deficit		(17,047,908)	(15,499,981)
Total Shareholders' Equity		9,300,971	4,854,718
Non-controlling interest in subsidiaries		2,358,918	(685,967)
		11,659,889	4,168,751
Total Liabilities and Shareholders' Equity		\$ 37,054,352	\$ 18,871,427

Going concern (Note 2), Related party transactions (Note 18), Commitments (Note 20)

Approved on behalf of the Board:

John McKimm

Director

Stephen Peacock

Director

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

Smart Employee Benefits Inc.
Unaudited Interim Consolidated Statement of Shareholders' Equity

	Share Capital		Warrants		Options		Contributed Share Issue		Total Shareholders' Equity		Non-controlling Interest	
	Number	\$	Number	\$	Number	\$	Surplus	Costs	Deficit	\$	\$	\$
Balances November 30, 2014	78,973,943	15,093,132	21,636,223	3,693,108	7,094,000	1,255,222	926,216	(612,979)	(15,499,981)	4,854,718	(685,967)	
Acquisition of Banyan Acquisition of Paradigm Consulting Group Inc.	5,913,877	2,956,966	1,000,000	290,000	-	-	382,286	-	-	-	-	1,213,804
Acquisition of SEB Consulting and HR Benefits Inc.	200,000	100,000	50,000	13,080	-	-	-	-	-	-	-	3,629,252
Conversion of notes	1,164,441	529,000	-	-	-	-	-	-	-	-	-	113,080
Exercise of warrants	2,367,722	1,262,725	(2,367,722)	-	-	-	-	-	-	-	-	529,000
Expiration of warrants	-	-	(55,333)	-	-	-	-	-	-	-	-	1,262,725
Issue of options	-	-	-	-	900,000	157,837	-	-	-	-	-	157,837
Exercise of options	160,000	56,000	-	-	(160,000)	-	-	-	-	-	-	56,000
Expiration of options	-	-	-	-	(240,000)	-	-	-	-	-	-	-
Net income for the period	-	-	-	-	-	-	-	-	-	-	-	-
Net income for the period attributed to non-controlling interest	-	-	-	-	-	-	-	-	454,945	-	-	454,945
Balances February 28, 2015	88,779,983	19,997,823	20,263,168	3,996,188	7,594,000	1,413,059	1,308,502	(612,979)	(15,097,522)	11,005,071	(52,486)	52,486
Issue of options	-	-	-	-	300,000	373,603	-	-	-	-	-	373,603
Exercise of options	3,750	1,313	-	-	(3,750)	-	-	-	-	-	-	1,313
Adjustment re Banyan acquisition	-	(128,630)	-	-	-	-	-	-	-	(128,630)	-	1,758,097
Dividend from Banyan to SEB	-	-	-	-	-	-	-	-	150,000	150,000	-	(150,000)
Net income for the period	-	-	-	-	-	-	-	-	(1,929,888)	(1,929,888)	-	-
Net income for the period attributed to non-controlling interest	-	-	-	-	-	-	-	-	(170,498)	(170,498)	-	170,498
Balances May 31, 2015	88,783,733	19,870,506	20,263,168	3,996,188	7,890,250	1,786,662	1,308,502	(612,979)	(17,047,908)	9,300,971	(2,358,918)	2,358,918

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

Smart Employee Benefits Inc.
Unaudited Interim Consolidated Statement of Comprehensive Loss

	Note	Mar 1, 2015 to May 31, 2015	Mar 1, 2014 to May 31, 2014	Dec 1, 2014 to May 31, 2015	Dec 1, 2013 to May 31, 2014
Revenue		\$ 13,342,530	\$ 5,754,539	\$ 24,624,110	\$ 10,011,829
Cost of revenues					
Compensation		8,838,234	3,826,131	16,181,106	7,182,178
Other		1,358,423	615,140	2,577,018	676,247
		10,196,657	4,441,271	18,758,124	7,858,425
Gross Margin		3,145,873	1,313,268	5,865,986	2,153,404
Expenses					
Salaries and other compensation costs		1,063,830	1,108,346	2,335,527	1,952,923
Professional fees		416,731	128,182	534,809	303,777
Office and general		1,054,089	509,484	1,864,323	974,021
Income (Loss) before the following items		611,223	(432,744)	1,131,327	(1,077,317)
Share-based compensation		373,603	275,080	531,440	275,080
Interest		330,458	161,739	455,582	266,818
Amortization	6, 7, 8	724,802	194,378	1,408,102	391,462
Depreciation of equipment	5	65,714	28,231	100,722	53,459
Accretion of interest	13	187,892	122,960	382,404	213,391
Total		1,682,469	782,388	2,878,250	1,200,210
		(1,071,246)	(1,215,132)	(1,746,923)	(2,277,527)
Less: Provision for income tax		(71,485)	-	(2,107)	-
Loss before acquisition and financing costs and sale of portion of business		(999,761)	(1,215,132)	(1,744,816)	(2,277,527)
Acquisition and financing costs		830,127	-	830,127	-
Gain on sale of a portion of the business	4	(100,000)	-	1,350,000	-
Less: Provision for income tax	4	-	-	250,000	-
Gain on sale net of tax		(100,000)	-	1,100,000	-
Net (Loss)		(1,929,888)	(1,215,132)	(1,474,943)	(2,277,527)
Attributed to non-controlling interest		170,498	(32,115)	222,984	(1,560)
Attributed to SEB shareholders		\$ (2,100,386)	\$ (1,183,017)	\$ (1,697,927)	\$ (2,275,967)
Weighted average number of shares - basic and diluted	15	88,781,247	66,743,155	86,220,799	64,965,886
Loss per common share - basic and diluted		\$ (0.02)	\$ (0.02)	\$ (0.02)	\$ (0.04)

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

Smart Employee Benefits Inc.
Unaudited Interim Consolidated Statement of Cash Flows

		<i>Mar 1, 2015</i>	<i>Mar 1, 2014</i>	<i>Dec 1, 2014</i>	<i>Dec 1, 2013</i>
	Note	<i>to May 31, 2015</i>	<i>to May 31, 2014</i>	<i>to May 31, 2015</i>	<i>to May 31, 2014</i>
Loss before acquisition and financing costs and sale of portion of business					
		\$ (999,761)	\$ (1,215,132)	\$ (1,744,816)	\$ (2,277,527)
Add items not involving cash:					
Amortization		724,772	194,378	1,408,102	391,462
Depreciation of equipment		65,714	28,231	100,722	53,459
Accretion of interest		187,892	122,960	382,404	213,391
Share-based compensation		373,603	275,080	531,440	275,080
		352,220	(594,483)	677,852	(1,344,135)
Non-cash working capital	19	2,639,604	421,307	197,627	(340,023)
Cash used in operating activities		2,991,824	(173,176)	875,479	(1,684,158)
Cash flows from investing activities					
Cash received on sale of portion of business	4	-	-	1,750,000	-
Purchase of software and equipment		(436,028)	(81,826)	(510,435)	(108,451)
Net cash on acquisition of Adeeva		-	6,209	-	6,209
Net cash on acquisition of Antian		-	98,458	-	98,458
Net cash on investment in Inforica		-	-	-	29,064
Net cash on investment in Banyan	4	-	-	848,558	-
Net cash on acquisition of Paradigm	4	(7,974,270)	-	(6,814,422)	-
Acquisition and financing costs		(830,127)	-	(830,127)	-
Cash flows from investing activities		(9,240,425)	22,841	(5,556,426)	25,280
Cash flows from financing activities					
Proceeds from convertible financing		-	-	-	1,734,262
Proceeds from exercised warrants		-	1,368,850	1,262,725	1,623,650
Proceeds from exercised options		1,313	22,438	57,313	27,163
Proceeds from short term loans		2,068,630	-	2,068,630	-
Proceeds from term bank loan		4,200,000	-	4,200,000	-
Repayment of term bank loan		(262,500)	-	(262,500)	-
Shareholder loans		-	(155,437)	-	(163,923)
Repayment of capital leases		(13,542)	(24,913)	(30,220)	(52,014)
Repayment of equipment loans		(3,968)	(13,208)	(10,750)	(30,333)
Repayment of convertible loans		(108,095)	(17,547)	(141,139)	-
Cash provided by financing activities		5,881,838	1,180,183	7,144,059	3,138,805
Net change in cash and cash equivalents		(366,763)	1,029,848	2,463,112	1,479,927
Cash and cash equivalents, beginning of period		3,232,971	707,687	403,096	257,608
Cash and cash equivalents, end of period		\$ 2,866,208	\$ 1,737,535	\$ 2,866,208	\$ 1,737,535

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

Smart Employee Benefits Inc.

Notes to Unaudited Condensed Interim Consolidated Financial Statements

May 31, 2015

1. Nature of Operations

Smart Employee Benefits Inc. (the "Company" or "SEB") is a technology company providing software-enabled services in the areas of healthcare transaction processing, software solutions and professional services for corporate and government clients.

These financial statements are the unaudited condensed interim consolidated financial statements of Smart Employee Benefits Inc. and its active subsidiary companies:

<u>Company</u>	<u>SEB Ownership</u>
Technology Division	
Logitek Technology Ltd.	100%
SOMOS Consulting Group Ltd.	100%
APS - Antian Professional Services Inc.	100%
Stroma Service Consulting Inc.	100%
Inforica Inc.	50%
Paradigm Consulting Group Inc.	100%
Health Care Division	
Smart Employee Solutions Inc.	100%
SES Benefits Canada Corporation	100%
SEB Insurance and Financial Services Corporation	58%
Banyan Work Health Solutions Inc.	50%
BITS Licencing Inc.	50%
Adeeva Nutrutionals Canada Inc.	100%
Meschino Health and Wellness Corporation	75%
SEB Benefits and HR Consulting Inc.	50%

The Company's head office address is 5500 Explorer Drive, Mississauga, Ontario, L4W 5C7 and its registered and records office address is Suite 300, 2355 Skymark Avenue, Mississauga, Ontario, L4W 4Y6.

These unaudited condensed interim consolidated financial statements were authorized for issuance by the Board of Directors on July 28, 2015.

2. Going Concern

These consolidated financial statements have been prepared on a going concern basis which presumes that the Company will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the normal course of its operations.

The Company has incurred an operating loss during the period of the unaudited condensed interim consolidated financial statements and negative cash flow from operations for the period. There is no assurance that the Company will be able to generate net income or positive cash flow from operations in the foreseeable future. Based on these events and conditions there are uncertainties that may cast doubt on the Company's ability to continue as a going concern and, therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business.

Smart Employee Benefits Inc.

Notes to Unaudited Condensed Interim Consolidated Financial Statements

May 31, 2015

To remain a going concern, the Company will require additional capital to enable it to further develop its software and achieve other business objectives. It cannot be determined at this time whether these objectives will be realized. These unaudited condensed interim consolidated financial statements do not reflect the adjustments or reclassification of assets and liabilities which would be necessary if the Company were unable to continue as a going concern.

3. Basis of Presentation

Statement of Compliance

These unaudited condensed interim financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements, and should be read in conjunction with the financial statements for the year ended November 30, 2014. The accounting policies adopted are consistent with those of the previous financial year and the corresponding interim reporting period. Furthermore the information on accounting standards effective in future periods and not yet adopted remains unchanged from that disclosed in the annual financial statements.

4. Acquisitions, Investments and Divestments

(a) Investment in Banyan Work Health Solutions Inc.

On November 3, 2014 the Company acquired 50% of Banyan Work Health Solutions Inc. and BITS Licensing Inc. (collectively “Banyan”). The Company has 50% Board representation and 50% of the voting rights, as does one other shareholder. As of December 1, 2014 the Company has the right to appoint a further Director. This ability is determined to give the Company control over Banyan and therefore the investment is accounted for by consolidating the results and financial position of Banyan with that of the Company.

The purchase price to acquire the 50% equity interest in Banyan was \$3.0 million, consisting of \$2.0 million of cash and \$1.0 million of common shares. A portion of this purchase price was performance based. \$1.575 million of the cash portion was paid at closing, while the remaining \$425,000 of cash is payable over 4 years, based on Banyan achieving certain earnings performance criteria post-closing. Of the \$1.0 million of common share consideration, \$750,000 of the shares was released at closing, subject to a contractual escrow over 36 months, while the release of the remaining \$250,000 of shares is subject to Banyan achieving the same performance criteria post-closing that is applicable to the cash consideration. The common shares issued, including the escrowed common shares, have been valued at fair value based on the closing market price on the date of issuance. The \$425,000 cash payable has been recorded as a contingent payment and recorded at fair value using a discount rate of 4.75%. The \$1.0 million of common share consideration consisted of 2,000,000 common shares. If the performance criteria are not achieved by the expiry of the escrow period, all or part of the 500,000 SEB shares subject to the performance escrow will be cancelled, as will be all or part of the \$425,000 of performance cash payments. Additionally, 1,000,000 common share purchase warrants were issued as retention warrants to key Banyan employees. The retention warrants have an exercise price of \$0.50 per share and a term of 48 months, with one-third of the warrants vesting at the end of each year for the first 36 months. The common share purchase warrants issued to employees has been determined to be part of the consideration and not a normal

Smart Employee Benefits Inc.

Notes to Unaudited Condensed Interim Consolidated Financial Statements
May 31, 2015

operating expenditure.

The cost of the acquisition to SEB is determined as follows:

Cash payment	\$	1,575,000
Common shares issued		871,370
Warrants issued		319,200
Contingent liability		206,330
Total fair value of consideration paid	\$	2,971,900

The fair value is allocated to assets acquired as follows:

Net tangible assets	\$	2,427,607
Non-controlling interest		(2,971,900)
Trademark		540,000
Customer relations		900,000
Goodwill		2,076,193
Total	\$	2,971,900

Net tangible assets of Banyan on acquisition:

Cash	\$	848,558
Accounts receivable		997,851
Prepaid expenses		20,212
Equipment		271,652
Software		1,103,326
Total assets	\$	3,241,599

Accounts payable	\$	813,992
Total liabilities	\$	813,992

Net tangible assets	\$	2,427,607
----------------------------	-----------	------------------

(b) Acquisition of Paradigm Consulting Group Inc. and PCGI Consulting Services Partnership

On December 31, 2014 the Company acquired Paradigm Consulting Group Inc. and PCGI Consulting Services Partnership, which were subsequently amalgamated into one company, named Paradigm Consulting Group Inc (“Paradigm”). The purchase price of Paradigm is up to \$15,793,436, consisting of firm consideration of \$13,427,864 and additional consideration of up to \$2,365,572 if certain performance targets are achieved.

The “firm consideration” consisted of the following:

- 1) Cash of \$9,288,112 (including a proposed \$1,600,000 working capital balance sheet adjustment—see below). On closing, \$7,688,112 of Short Term notes was issued.
- 2) Vendor convertible notes in the aggregate principal amount of \$1,182,786, with interest accruing at an annual rate of 3% payable quarterly in arrears with one third of the outstanding principal payable at the end of year two and the balance payable at the end of year three. The notes are convertible into SEB shares at \$0.50 per share.
- 3) 5,913,877 SEB shares with a deemed value of \$2,956,966. The shares are subject to a 36-month contractual escrow, with one-sixth of the shares being released every six months over the 36 months following the closing of the transaction.

In addition, 1,000,000 share purchase warrants were issued to Paradigm employees as a retention

Smart Employee Benefits Inc.

Notes to Unaudited Condensed Interim Consolidated Financial Statements

May 31, 2015

incentive. All warrants have a 48-month term and an exercise price of \$0.50 per share. The warrants vest one-sixth every six months over a 36 month period following the closing of the transaction.

The “additional consideration”, payable in cash, consists of up to:

- 1) \$1,774,179 to be paid at the end of year three following closing, subject to meeting a cumulative EBITDA of \$8,870,898.
- 2) \$591,393 to be paid at the end of year four following closing, subject to meeting a cumulative EBITDA of \$11,827,864.

Prior to the close of the transaction, Paradigm Consulting Group Inc. paid out \$1,101,575 to its shareholders by way of a reduction of Paid-up Capital. This payment reduced the originally announced \$1,600,000 working capital adjustment payment.

The fair value of consideration transferred is as follows:

Cash paid on closing	\$	7,688,112
Payment re working capital adjustment		286,158
Total cash payment		7,974,270
Shares issued (Note 15)		2,956,939
Warrants issued (Note 15)		290,000
Convertible note issued (Note 13)		1,106,390
Contingent liability		1,208,634
Total	\$	13,536,233

The fair value is allocated to assets acquired as follows:

Net tangible assets	\$	3,162,377
Trademark		5,250,000
Customer		1,960,000
Goodwill		3,163,883
Total	\$	13,536,260

Net tangible assets of Paradigm on acquisition are as follows:

Cash	\$	1,159,848
Accounts receivable		4,154,714
Prepays		143,649
Equipment		160,589
Total assets	\$	5,618,800

Accounts payable and accruals	\$	2,412,712
Income taxes payable		38,593
Deferred revenue		5,118
Total liabilities	\$	2,456,423

Net tangible assets	\$	3,162,377
----------------------------	-----------	------------------

(c) Acquisition of 50% of SEB Benefits & HR Consulting Inc.

On February 11, 2015, the Company acquired 50% of SEB Benefits & HR Consulting Inc. The terms of the transaction are as follows:

Smart Employee Benefits Inc.

Notes to Unaudited Condensed Interim Consolidated Financial Statements

May 31, 2015

- 1) \$100,000 of SEB shares at \$0.50 per share, the shares being subject to a contractual escrow over a 24 month period, released 25% every 6 months.
- 2) 50,000 share purchase warrants to acquire SEB shares. The warrants are exercisable at \$0.50 per SEB share for a term of 36 months and vest on the same terms as the SEB Shares stated above.
- 3) In addition, SEB will provide start-up support in areas of business infrastructure , working capital loans and other aspects

The fair value of consideration transferred is as follows:

Shares issued (Note 15)	\$	100,000
Warrants issued (Note 15)		13,080
Total	\$	113,080

The fair value is allocated to assets as follows:

Goodwill	\$	113,080
----------	-----------	----------------

(d) Divestment of portion of business

On December 19, 2014, SEB announced that Logitek Technology Ltd. (“Logitek”), a wholly owned subsidiary of SEB, entered into an agreement with DiCentral Corporation (“DiCentral”) to jointly service the Canadian Electronic Data Interchange (“EDI”) market. As part of this transaction, DiCentral has acquired Logitek’s EDI business, including all existing IP and support infrastructure in Canada, for \$2,150,000. On closing, Logitek received \$1,000,000, \$750,000 cash was paid January 15, 2015 and the remaining \$400,000 is payable over 24 months in varying amounts in 6 month intervals.

The proceeds from the sale were accounted for as follows:

	Proceeds	Tax Provision	Net
Proceeds	\$ 2,150,000	250,000	\$ 1,900,000
Transaction costs	100,000	-	100,000
Net proceeds	2,050,000	250,000	1,800,000
Allocated against assets	700,000	-	700,000
Total	\$ 1,350,000	\$ 250,000	\$ 1,100,000

Smart Employee Benefits Inc.

Notes to Unaudited Condensed Interim Consolidated Financial Statements
May 31, 2015

(e) Goodwill

The balance of Goodwill arises from the following:

	Fiscal 2015				
	Balance Nov 30, 2014	Changes Q1	Balance Feb 28	Changes Q2	Balance May 31
Logitek Technology Ltd.	878,818	(700,000)	178,818	-	178,818
SOMOS Consulting Group Ltd.	268,975	-	268,975	-	268,975
Inforica Inc.	935,165	-	935,165	-	935,165
APS - Antian Professional Services Inc.	16,411	-	16,411	-	16,411
Adeeva Nutritionals Canada Inc.	620,464	-	620,464	-	620,464
Stroma Service Consulting Inc.	563,324	-	563,324	-	563,324
Banyan Work Health Solutions Inc.	-	858,896	858,896	1,217,297	2,076,193
Paradigm Consulting Group	-	3,167,727	3,167,727	(3,844)	3,163,883
SEB Benefits and HR Consulting Inc.	-	113,080	113,080	-	113,080
Total	3,283,157	3,439,703	6,722,860	1,213,453	7,936,313

(f) Non-controlling interest

Continuity of non-controlling interest as follows:	Investment	Earnings	Total
Acquisition of Inforica Inc.	\$ (435,165)	-	\$ (435,165)
Acquisition of Meschino	30,500	-	30,500
Net loss and comprehensive loss attributed to non-controlling interest	-	(281,302)	(281,302)
Balance, November 30, 2014	(404,665)	(281,302)	(685,967)
Acquisition of control of Banyan	1,213,804	-	1,213,804
Net profit attributed to non-controlling interest	-	52,486	52,486
Balance February 28, 2015	809,139	(228,816)	580,323
Dividend received from Banyan	(150,000)	-	(150,000)
Adjustment to Banyan acquisition costs	1,758,097	-	1,758,097
Net profit attributed to non-controlling interest	-	170,498	170,498
Balance May 31, 2015	\$ 2,417,236	\$ (58,318)	\$ 2,358,918

Smart Employee Benefits Inc.

Notes to Unaudited Condensed Interim Consolidated Financial Statements

May 31, 2015

5. Equipment

	Nov 30, 2014	Acquire Banyan	Acquire Paradigm	Additions	Feb 28, 2015	Additions	May 31, 2015
Cost							
Furniture and office equipment	244,569	136,245	119,829	3,745	504,388	829	973,776
Computer hardware	477,685	928,605	371,434	(19,095)	1,758,629	5,185	4,578,417
Computer hardware under lease	267,786	-	-	-	267,786	-	415,622
Total	990,040	1,064,850	491,263	(15,350)	2,530,803	6,014	5,967,815
Accumulated depreciation							
				Expense		Expense	
Furniture and office equipment	69,772	113,788	73,718	9,727	267,005	9,613	745,177
Computer hardware	180,836	679,409	256,956	17,754	1,134,955	48,699	3,998,257
Computer hardware under lease	115,943	-	-	7,527	123,470	7,527	278,833
Total	366,551	793,197	330,674	35,008	1,525,430	65,839	5,022,267
Net balance							
Furniture and office equipment	174,797	22,457	46,111	(5,982)	237,383	(8,784)	228,599
Computer hardware	296,849	249,196	114,478	(36,849)	623,674	(43,514)	580,160
Computer hardware under lease	151,843	-	-	(7,527)	144,316	(7,527)	136,789
Total	623,489	271,653	160,589	(50,358)	1,005,373	(59,825)	945,548

Smart Employee Benefits Inc.

Notes to Unaudited Condensed Interim Consolidated Financial Statements

May 31, 2015

6. Software and Intellectual Property

(a) Software

	Cost			Accumulated Amortization			Net		
	Feb 28, 2015	Adds	May 31, 2015	Feb 28, 2015	Expense	May 31, 2015	May 31, 2015	Feb 28, 2015	Nov 30, 2014
HCS licence (1)	500,000	-	500,000	183,333	12,500	195,833	304,167	316,667	329,167
HCS admin system (2)	341,702	252,648	594,350	8,543	14,859	23,402	570,948	333,159	341,702
Logitek (3)	1,267,000	-	1,267,000	263,958	31,675	295,633	971,367	1,003,042	1,034,717
Inforica (4)	240,000	-	240,000	54,000	6,000	60,000	180,000	186,000	192,000
Meschino	110,000	85,470	195,470	20,167	2,750	22,917	172,553	89,833	92,583
Adeeva	110,000	-	110,000	-	22,917	22,917	87,083	-	-
Banyan (5)	1,182,121	89,105	1,271,226	25,000	56,042	81,042	1,190,184	1,168,083	-
Paradigm	-	2,790	2,790	-	-	-	2,790	-	-
Total	3,750,823	430,013	4,180,836	555,001	146,743	701,744	3,479,092	3,096,784	1,990,169

- 1) A licence of software which provides the adjudication of health benefit claims (“Adjudication Software”). The Licence provides (a) a perpetual, irrevocable, transferable and exclusive right and license to use the Adjudication Software in Canada; and (b) a perpetual, irrevocable, transferable and non-exclusive right and world-wide license to use the Adjudication Software outside Canada. It is being amortized over 10 years on a straight-line basis.
- 2) The Company has engaged software development companies to develop benefit administration computer software.
- 3) Logitek has developed a number of proprietary pieces of software, particularly in the management of customer’s supply-chain in the retail field. The internet-based software is used extensively and repeatedly by a number of well-known large retailers to manage their product supply arrangements, incorporating suppliers in 170 countries. The software is being amortized over 10 years on a straight-line basis.
- 4) Inforica has developed proprietary software, particularly in the field of energy management. Its use is being expanded to include significant Middle East business.
- 5) Banyan has developed proprietary software, particularly in the field of disability and work-absence management.

(b) Intellectual Property

Property acquired with Adeeva; video and written content relating to health issues.

	Cost			Accumulated Amortization			Net			
	Feb 28, 2015	Acquisition	Adds during period	May 31, 2015	Feb 28, 2015	Expense	May 31, 2015	May 31, 2015	Feb 28, 2015	Nov 30, 2014
Balance	110,000	-	-	110,000	20,167	2,750	22,917	87,083	89,833	92,583
Total	110,000	-	-	110,000	20,167	2,750	22,917	87,083	89,833	92,583

Smart Employee Benefits Inc.

Notes to Unaudited Condensed Interim Consolidated Financial Statements
May 31, 2015

7. Customer relationships

	Cost			Accumulated Amortization			Net Balance		
	Feb 28, 2015	Acquisition Adjustment	May 31, 2015	Feb 28, 2015	Expense	May 31, 2015	May 31, 2015	Feb 28, 2015	Nov 30, 2014
Logitek	803,000	-	803,000	334,583	40,150	374,733	428,267	468,417	508,567
SOMOS	500,000	-	500,000	200,000	25,000	225,000	275,000	300,000	325,000
Inforica	500,000	-	500,000	125,000	25,000	150,000	350,000	375,000	400,000
Antian	63,097	-	63,097	12,094	3,155	15,249	47,848	51,003	54,158
Adeeva	170,000	-	170,000	59,917	(16,000)	43,917	126,083	110,083	143,083
Stroma	660,000	-	660,000	85,500	57,500	143,000	517,000	574,500	583,000
Banyan	600,000	300,000	900,000	20,000	70,000	90,000	810,000	580,000	-
Paradigm	4,000,000	1,250,000	5,250,000	133,333	304,167	437,500	4,812,500	3,866,667	-
Total	7,296,097	1,550,000	8,846,097	970,427	508,972	1,479,399	7,366,698	6,325,670	2,013,808

8. Trade names

	Cost			Accumulated Amortization			Net Balance		
	Feb 28, 2015	Acquisition Adjustment	May 31, 2015	Feb 28, 2015	Expense	May 31, 2015	May 31, 2015	Feb 28, 2015	Nov 30, 2014
Logitek	450,000	-	450,000	187,500	22,500	210,000	240,000	262,500	285,000
SOMOS	388,000	-	388,000	155,200	19,400	174,600	213,400	232,800	252,200
Inforica	270,000	-	270,000	67,500	13,500	81,000	189,000	202,500	216,000
Adeeva	300,000	-	300,000	62,500	15,000	77,500	222,500	237,500	252,500
Stroma	260,000	-	260,000	43,331	13,000	56,331	203,669	216,669	229,669
Banyan	600,000	(60,000)	540,000	20,000	34,000	54,000	486,000	580,000	-
Paradigm	4,000,000	(2,040,000)	1,960,000	133,333	30,002	163,335	1,796,665	3,866,667	-
Total	6,268,000	(2,100,000)	4,168,000	669,364	147,402	816,766	3,351,234	5,598,636	1,235,369

9. Bank loan

On March 9, 2015 the Company closed new credit facilities with a major Canadian Schedule I bank in the amount of \$8,775,000. The credit facilities were obtained by Paradigm Consulting Group Inc. ("Paradigm") and SOMOS Consulting Group Ltd. ("SOMOS"), both wholly owned subsidiaries of SEB. The new financing arrangements include a \$4,200,000 term loan acquisition facility which was used in connection with the Corporation's acquisition of Paradigm. The acquisition facility bears interest at the Canadian Dollar Prime Rate (the "Prime Rate") to Prime Rate plus 1.75%, depending on the amount advanced under the facility, has a term of 3 years and may be repaid at any time without penalty.

Paradigm has also obtained a \$3,000,000 operating demand facility, bearing interest at the Prime Rate plus 0.75% to 1.75%, depending on Paradigm's debt to EBITDA ratio, along with a \$50,000 corporate credit card.

At the same time, SEB's wholly owned subsidiary, SOMOS, has entered into a new credit facility with the same Canadian bank to replace the current credit facility of SOMOS. The new SOMOS facility consists of a \$1,500,000 operating demand loan bearing interest at the Prime Rate plus 1.875% and a \$25,000 corporate credit card. Concurrent with the new SOMOS facility, the Stroma facility was terminated.

Smart Employee Benefits Inc.

Notes to Unaudited Condensed Interim Consolidated Financial Statements

May 31, 2015

Both Paradigm's new credit facilities and the new SOMOS facility are secured by a first charge over all of the assets of certain subsidiaries of the Corporation, contain positive, negative and financial covenants, and include other usual and customary terms and conditions. The Corporation, Paradigm, SOMOS and certain other subsidiaries have provided guarantees pursuant to the new credit facilities.

10. Deferred revenue

The bulk of this amount arises from Stroma Service Consulting receiving annual licence fees and Logitek Technology Ltd. receiving advance payments from clients for licencing revenues and for software development work to be done. The amounts are amortized as revenue in accordance with the Company's revenue recognition policy.

11. Equipment leases payable

The Company has obligations under capital leases for computer hardware, with various maturity dates and monthly payments:

Maturity	Monthly Payment	May 31, 2015	Nov 30, 2014
2015 May	3,136	-	15,682
2015 Aug	1,106	1,257	6,570
2015 Sep	1,010	1,844	6,696
2016 Oct	789	10,937	15,311
		14,038	44,258
Current portion of leases payable		11,851	35,260
Long term portion of leases payable		2,187	8,998

12. Equipment loans

The Company finances computer equipment from time to time using equipment loans secured by the specific pieces of equipment financed by the loans. As the loans are due on demand, the full balance owing has been classified as current.

Lender	Int Rate	Monthly Payment	Maturity	May 31, 2015	Nov 30, 2014
Bank of Montreal	BMO Prime + 1.75%	\$750	May, 2015	\$ -	\$ 4,500
Business Dev Bank of Canada	BDC floating base rate + 1%	\$1,042	Feb, 2017	21,875	28,125
Total				21,875	32,625
Current portion of loans				21,875	32,625
Long term portion of loans				\$ -	\$ -

Smart Employee Benefits Inc.

Notes to Unaudited Condensed Interim Consolidated Financial Statements

May 31, 2015

13. Convertible debt

Maturity Date	Conversion Price	Liability at Fair Value				Accreted Interest			Balance		
		Face Value of Notes	Equity Component	Warrants	Debt Issue Costs	Liability at Fair Value	Bal Feb 28 2015	Accretion 31 2015	Bal May 31 2015	May 31/15	Feb 28/15 Nov 30/14
(1) Dec 27, 2014	\$ 0.45	-	-	-	-	-	-	-	-	-	548,992
(6) Feb 14, 2016	\$ 0.60	1,950,000	(240,523)	(147,232)	(248,191)	1,314,054	313,334	84,006	397,340	1,711,394	1,627,388
(3) May 13, 2016	\$ 0.75	1,025,000	(143,656)	(75,850)	(87,630)	717,864	173,671	27,212	200,883	918,747	891,535
(4) May 13, 2016	\$ 0.75	725,000	(98,330)	(59,198)	(24,307)	543,165	95,891	17,511	113,402	656,567	639,056
(5) May 13, 2016	\$ 0.75	250,000	(34,531)	(14,875)	(8,540)	192,054	30,507	5,597	36,104	228,158	222,561
(8) Jun 6, 2017	\$0.50 to Jun 6, 2015 \$0.60 to Jun 6, 2016 \$0.70 to Jun 6, 2017	250,000	(80,802)	-	-	169,198	17,713	6,321	24,034	193,232	186,911
(9) Dec 30, 2017	\$ 0.50	1,106,390	(382,286)	-	-	724,104	28,018	28,018	56,036	780,140	828,518
(2) Feb 6, 2018	\$0.65 to Feb 6, 2016 \$0.70 to Feb 6, 2017 \$0.75 to Feb 6, 2018	651,858	(303,437)	-	-	348,421	106,026	14,666	120,692	469,113	454,447
Mar 18, 2019	\$ 0.75	258,524	(96,230)	-	-	162,294	18,378	6,173	24,551	186,845	196,104
Totals		6,216,772	(1,379,795)	(297,155)	(368,668)	4,171,154	783,538	189,504	973,042	5,144,196	5,046,520
Current portion of convertible debt										4,095,333	1,737,388
Long term portion of convertible debt										1,048,863	3,309,132

Smart Employee Benefits Inc.

Notes to Unaudited Condensed Interim Consolidated Financial Statements

May 31, 2015

- 1) On December 27, 2012 the Company closed a financing of \$554,000 worth of convertible notes with a term of 2 years, paying 10% interest per annum, payable quarterly. The notes are convertible into common shares of the Company at \$0.45 per share any time during the term of the notes. The Company paid finder's fees of \$22,550 in cash, incurred legal costs directly attributed to the issuance of \$31,842 and issued 99,777 share purchase warrants to the finder which are exercisable at \$0.45 per share for a period of two years. The value of the warrants and debt issue costs have been allocated against the liability and equity components based on their relative fair values. At November 30, 2012, an amount of \$30,000 had been advanced towards the convertible notes.

During the period ending February 28, 2015, \$479,000 of the notes were converted into SEB shares according to the terms above. The remaining \$75,000 of the notes was repaid subsequent to the quarter end.

- 2) On February 6, 2013, the Company closed the acquisition of Logitek (Note 4). As part of the transaction and in order to retire \$651,858 of debt owing by Logitek, the Company issued a five year convertible note in the amount of \$651,858 with an annualized interest rate of 3%, payable quarterly and an escalating conversion price of \$0.45, \$0.55, \$0.65, \$0.70 and \$0.75 from years one through five, respectively.

The equity component of \$303,437 arose from the difference between the coupon and effective interest rates. The difference between the face value and fair value of the notes is being charged against earnings as accreted interest using the effective interest rate method. In arriving at a fair value of the liability component of the convertible notes, the Company used a discount rate of 18% to determine the present value of the debt.

- 3) On May 13, 2013 the Company completed a private placement offering of \$1,025,000 of units (the "Units"); with each Unit consisting of (i) a \$1.00 principal amount convertible secured subordinated promissory note of the Company (the "Notes") and (ii) one common share purchase warrant of SEB (the "Warrants"). The Company paid a finder's fee of \$60,000 and legal fees of \$27,630. The value of the warrants and debt issue costs have been allocated against the liability and equity components based on their relative fair values. These Notes were issued to two Directors of the Company.

The Warrants were exercisable at any time for a period of 12 months from the date of closing at an exercise price of \$0.50 for 1 common share of the Company.

The Notes have a three year term maturing May 13, 2016 (the "Maturity Date"). The Notes bear interest at an annual rate of 9.75%, with interest calculated and paid monthly in arrears. The principal amount of the Notes, to the extent not previously converted or repaid, will, on the Maturity Date, be repayable in its entirety. The Notes are convertible into the common shares of the Company at any time at \$0.50 per share in year 1, \$0.60 per share in year 2 and \$0.75 per share in year 3.

The equity component of \$143,656 arose from the difference between the coupon and effective interest rates and has been recorded as Contributed Surplus. The difference between the face value and fair value of the Notes is being charged against earnings as accreted interest using the effective interest rate method. In arriving at a fair value of the liability component of the convertible Notes, the Company used a discount rate of 18% to determine a discounted present value of the debt.

The warrants were valued at \$75,850 using the Black-Scholes option-pricing model using the following assumptions: expected life of 12 months, risk free rate of 0.98%, expected dividend yield of 0% and expected volatility of 100%.

- 4) On August 30, 2013 the Company issued \$725,000 of units, under the terms of a private placement

Smart Employee Benefits Inc.

Notes to Unaudited Condensed Interim Consolidated Financial Statements

May 31, 2015

offering totaling \$975,000 of units (the "Units"); with each Unit consisting of (i) a \$1.00 principal amount convertible secured subordinated promissory note of the Company (the "Notes") and (ii) one common share purchase warrant of the Company (the "Warrants"). The Warrants are exercisable at any time until May 13, 2014 at an exercise price of \$0.50 for 1 common share of the Company.

The Notes have a three year term maturing May 13, 2016 (the "Maturity Date"). The Notes bear interest at an annual rate of 9.75%, with interest calculated and paid monthly in arrears. The principal amount of the Notes, to the extent not previously converted or repaid, will, on the Maturity Date, be repayable in its entirety. The Notes are convertible into the common shares of SEB at any time at \$0.50 per share until May 13, 2014, \$0.60 per share until May 13, 2015 and \$0.75 per share until May 13, 2016.

The equity component of \$98,330 arose from the difference between the coupon and effective interest rates and has been recorded as Contributed Surplus. The difference between the face value and fair value of the Notes is being charged against earnings as accreted interest using the effective interest rate method. In arriving at a fair value of the liability component of the convertible Notes, the Company has used a discount rate of 18% to determine a discounted present value of the debt.

The warrants were valued at \$43,138 using the Black-Scholes option-pricing model using the following assumptions: expected life of 9 months, risk free rate of 0.98%, expected dividend yield of 0% and expected volatility of 100%.

The Company incurred legal costs directly attributed to the issuance of \$24,307 and issued 100,000 share purchase warrants to the finder, exercisable at \$0.35 per share for a period of two years. The finder warrants were valued at \$16,060 using the Black-Scholes option-pricing model using the following assumptions: expected life of 2 years, risk free rate of 0.98%, expected dividend yield of 0% and expected volatility of 100%. The value of the warrants and debt issue costs have been allocated against the liability and equity components based on their relative fair values.

- 5) On September 6, 2013 the Company issued \$250,000 of units, under the terms of a private placement offering totaling \$975,000 of units (the "Units"); with each Unit consisting of (i) a \$1.00 principal amount convertible secured subordinated promissory note of the Company (the "Notes") and (ii) one common share purchase warrant of the Company (the "Warrants").

The Company incurred legal costs directly attributed to the issuance of \$8,540. The value of the warrants and debt issue costs have been allocated against the liability and equity components based on their relative fair values.

The Warrants were exercisable at any time until May 13, 2014 at an exercise price of \$0.50 for 1 common share of the Company.

The Notes have a three year term maturing May 13, 2016 (the "Maturity Date"). The Notes bear interest at an annual rate of 9.75%, with interest calculated and paid monthly in arrears. The principal amount of the Notes, to the extent not previously converted or repaid, will, on the Maturity Date, be repayable in its entirety. The Notes are convertible into the common shares of SEB at any time at \$0.50 per share until May 13, 2014, \$0.60 per share until May 13, 2015 and \$0.75 per share until May 13, 2016.

The equity component of \$34,531 arose from the difference between the coupon and effective interest rates and has been recorded as Contributed Surplus. The difference between the face value and fair value of the Notes is being charged against earnings as accreted interest using the effective interest rate method. In arriving at a fair value of the liability component of the convertible Notes, the Company used a discount rate of 18% to determine a discounted present value of the debt.

The warrants were valued at \$14,875 using the Black-Scholes option-pricing model using the

Smart Employee Benefits Inc.

Notes to Unaudited Condensed Interim Consolidated Financial Statements

May 31, 2015

following assumptions: expected life of 9 months, risk free rate of 0.98%, expected dividend yield of 0% and expected volatility of 100%.

- 6) On February 14, 2014 the Company closed a financing of \$2,000,000 of convertible Notes with a term of 2 years, paying 8% interest. The Notes are convertible into common shares of the Company at \$0.50 per share during the first year of the Notes, and \$0.60 during the second year of the Notes. The Company paid finder's fees of \$205,600 in cash and 320,000 share purchase warrants, exercisable at \$0.50 per share for a period of three years.

In arriving at a fair value of the liability component of the convertible Notes, the Company used a discount rate of 18% to determine a discounted present value of the debt due on conversion. The equity component of \$240,523 at February 14, 2014, arising from the difference between the coupon and effective interest rates, has been recorded as Contributed Surplus. The difference between the face value and fair value of the Notes is being charged against earnings as accreted interest using the effective interest rate method.

The warrants were valued at \$147,232 using the Black-Scholes option-pricing model using the following assumptions: expected life of two years, risk free rate of 0.98%, expected dividend yield of 0% and expected volatility of 100%.

During the period ending February 28, 2015, \$50,000 of the Notes was converted to SEB common shares (see Note 15).

- 7) On March 1, 2014 the Company closed the acquisition of APS - Antian Professional Services. A portion of the consideration was a convertible Note in the amount of \$324,482 paying interest at 3% per annum with a term of 5 years. Payments of principal are made quarterly. The note is convertible at any time to SEB common shares during the term at a rate of \$0.75 per share.

In arriving at a fair value of the liability component of the convertible Notes, the Company used a discount rate of 18% to determine a discounted present value of the debt due on conversion. The equity component of \$96,230, arising from the difference between the coupon and effective interest rates, has been recorded as Contributed Surplus. The difference between the face value and fair value of the Notes is being charged against earnings as accreted interest using the effective interest rate method.

- 8) On June 6, 2014, the Company closed the acquisition of Stroma Service Consulting Inc. Part of the purchase price was \$250,000 in promissory notes paying interest at an annualized rate of 3% with annual principal repayments over a 3 year period and convertible into shares of SEB at \$0.50, \$0.60 and \$0.70 per common share of SEB in years one, two and three, respectively

In arriving at a fair value of the liability component of the convertible Notes, the Company used a discount rate of 18% to determine a discounted present value of the debt due on conversion. The equity component of \$80,802, arising from the difference between the coupon and effective interest rates, has been recorded as Contributed Surplus. The difference between the face value and fair value of the Notes is being charged against earnings as accreted interest using the effective interest rate method.

- 9) On December 31, 2014 the Company acquired Paradigm Consulting Group Inc. and PCGI Consulting Services Partnership, amalgamated into one company, named Paradigm Consulting Group Inc. The purchase price included vendor notes ("Notes") in the aggregate principal amount of \$1,182,786, with interest accruing at an annual rate of 3% payable quarterly in arrears with one third of the outstanding principal payable at the end of year two and the balance payable at the end of year three. The notes are convertible into SEB shares at \$0.50 per share.

Smart Employee Benefits Inc.

Notes to Unaudited Condensed Interim Consolidated Financial Statements

May 31, 2015

In arriving at a fair value of the liability component of the convertible Notes, the Company used a discount rate of 18% to determine a discounted present value of the debt due on conversion. The equity component of \$ 382,286, arising from the difference between the coupon and effective interest rates, has been recorded as Contributed Surplus. The difference between the face value and fair value of the Notes is being charged against earnings as accreted interest using the effective interest rate method.

14. Short term notes

	Advance from Chairman of the Board (Note 18)	1,500,000
1)	Loan	518,000
	Other	57,729
	Total	\$ 2,075,729

1) Interest is calculated at 10% per annum. The maturity date is August 31, 2015.

15. Share Capital

(a) Authorized

Unlimited number of common shares

(b) Common shares issued and outstanding

	Number of shares	Amount \$
Balance November 30, 2014	78,973,943	15,093,132
Acquisition of Paradigm Consulting Group (Note 4)	5,913,877	2,956,966
Acquisition of SEB Consulting and HR Benefits Inc. (Note 4)	200,000	100,000
Conversion of notes (Note 13)	1,064,441	479,000
Conversion of notes (Note 13)	100,000	50,000
Exercise of warrants	2,367,722	1,262,725
Exercise of options	160,000	56,000
Balance February 28, 2015	88,779,983	19,997,823
Adjustment to Banyan acquisition	-	(128,630)
Exercise of options	3,750	1,313
Balance May 31, 2015	88,783,733	19,870,506

Smart Employee Benefits Inc.

Notes to Unaudited Condensed Interim Consolidated Financial Statements

May 31, 2015

(c) Share purchase warrants

	Exercise Price	Expiry	Activity During Period						
			Feb 28, 2015					May 31, 2015	
			Outstanding	Issued	Expired	Exercised	Outstanding	Exercisable	
(1)	\$ 0.65	Jul 11, 2015	5,841,667	-	-	-	5,841,667	5,841,667	
(2)	\$ 0.35	Aug 30, 2015	100,000	-	-	-	100,000	100,000	
(3)	\$ 0.40	Nov 14, 2015	75,000	-	-	-	75,000	75,000	
(4)	\$0.65 to Feb 6, 2016 \$0.75 to Aug 6, 2016	Aug 6, 2016	1,000,000	-	-	-	1,000,000	-	
(6)	\$ 0.50	Oct 29, 2016	200,000	-	-	-	200,000	200,000	
(7)	\$0.55 to Nov 14, 2015 \$0.65 to Nov 14, 2016	Nov 14, 2016	1,250,000	-	-	-	1,250,000	1,250,000	
(8)	\$ 0.50	Feb 12, 2017	320,000	-	-	-	320,000	320,000	
(9)	\$0.65 to Feb 27, 2016 \$0.75 to Feb 27, 2017	Feb 27, 2017	2,651,500	-	-	-	2,651,500	2,651,000	
(5)	\$0.60 to Oct 29, 2016 \$0.75 to Oct 29, 2017	Oct 29, 2017	2,000,000	-	-	-	2,000,000	2,000,000	
(6)	\$0.60 to Oct 29, 2016 \$0.75 to Oct 29, 2017	Oct 29, 2017	3,050,000	-	-	-	3,050,000	3,050,000	
(6)	\$0.60 to Nov 6, 2016 \$0.75 to Nov 6, 2017	Nov 6, 2017	950,000	-	-	-	950,000	950,000	
(10)	\$0.65 to Mar 1, 2016 \$0.70 to Mar 1, 2017 \$0.75 to Mar 1, 2018	Mar 1, 2018	675,000	-	-	-	675,000	675,000	
(11)	\$0.50 to Jun 6, 2015 \$0.55 to Jun 6, 2016 \$0.60 to Jun 6, 2017 \$0.70 to Jun 6, 2018	Jun 6, 2018	100,000	-	-	-	100,000	100,000	
(12)	\$ 0.50	Nov 4, 2018	1,000,000	-	-	-	1,000,000	-	
(13)	\$ 0.50	Feb 11, 2018	50,000	-	-	-	50,000	-	
(14)	\$ 0.50	Feb 27, 2019	1,000,000	-	-	-	1,000,000	-	
			20,263,167	-	-	-	20,263,167	17,212,667	
Weighted average exercise price per share			\$ 0.60	N/A	N/A	N/A	\$ 0.61	\$ 0.62	

- 1) On July 11, 2012, 6,491,667 share purchase warrants were issued as part of a financing executed concurrently to the closing of the RTO Transaction by which the Company became listed on the TSXV. The share purchase warrants were valued at \$908,342 using the Black-Scholes option-pricing model with the following assumptions: expected life of 36 months, risk-free rate of 0.96%, expected dividend yield of 0% and expected volatility of 100%.
- 2) In conjunction with the August 30, 2013 and September 6, 2013 financings, the Company issued 100,000 share purchase warrants to a finder, exercisable at \$0.35 per share for a period of two years. The finder warrants were valued at \$16,060 using the Black-Scholes option-pricing model using the following assumptions: expected life of 2 years, risk free rate of 0.98%, expected dividend yield of 0% and expected volatility of 100%.
- 3) In conjunction with the issue of the \$500,000 of Units, the Company paid 75,000 finder warrants exercisable for 24 months from closing at \$0.40 for 1 common share of the Company. The finder warrants were valued at \$12,945 using the Black-Scholes option-pricing model using the following assumptions: expected life of 24 months, risk free rate of 0.98%, expected dividend yield of 0% and expected volatility of 100%.
- 4) On February 6, 2013 SEB closed the acquisition of Logitek. As part of the price, the Company issued, 1,000,000 share purchase warrants. The warrants have a term of 42 months and an escalating exercise price every 12 months of \$0.45, \$0.55 and \$0.65 during the first three years

Smart Employee Benefits Inc.

Notes to Unaudited Condensed Interim Consolidated Financial Statements

May 31, 2015

of the term and at \$0.75 for the last six months of the term. These warrants contain performance vesting conditions during their term equating to revenue and earnings targets. See Note 4(a). The warrants were valued at \$159,500 using the Black-Scholes option-pricing model using the following assumptions: expected life of 42 months, risk free rate of 0.98%, expected dividend yield of 0% and expected volatility of 100%. The Company has recorded \$159,500 which equates to the value attributable to the number of warrants the Company estimates will ultimately vest.

- 5) On October 29, 2014 the Company closed a financing of \$1,000,000 of Equity Units. The Equity Units were issued at \$0.50 per unit and each Unit consists of one SEB common share and one SEB common share purchase warrant exercisable for a period of 36 months at \$0.60 per share for year one and year two and \$0.75 per share for year three. The warrants were valued at \$350,227 using the Black-Scholes option-pricing model using the following assumptions: expected life of three years, risk free rate of 0.98%, expected dividend yield of 0% and expected volatility of 100%.
- 6) On October 29, 2014 and November 6, 2014, the Company closed a financing of \$2,000,000 of Equity Units. The Equity Units were issued at \$0.50 per unit and each Equity Unit consists of one SEB common share and one SEB common share purchase warrant exercisable for a period of 36 months at \$0.60 per share for year one and year two and \$0.75 per share for year three. As part of the financing, SEB issued 200,000 finders warrants exercisable at \$0.50 per share for a period of 24 months. The warrants were valued at \$697,904 using the Black-Scholes option-pricing model using the following assumptions: expected life of three years, risk free rate of 0.98%, expected dividend yield of 0% and expected volatility of 100%. The finder warrants were valued at \$52,540 using the Black-Scholes option-pricing model using the following assumptions: expected life of two years, risk free rate of 0.98%, expected dividend yield of 0% and expected volatility of 100%.
- 7) On November 18, 2013, the Company closed an equity financing of \$500,000 consisting of 1,250,000 units at \$0.40 per unit where each unit consists of one common share and one common share purchase warrant. The common share purchase warrants have a term of 36 months and an escalating exercise price every 12 months of \$0.50, \$0.55, and \$0.65 during the term. The warrants were valued at \$165,648 using the Black-Scholes option-pricing model using the following assumptions: expected life of 36 months, risk free rate of 0.98%, expected dividend yield of 0% and expected volatility of 100%.
- 8) On February 14, 2014 the Company closed a financing of \$2,000,000 of convertible Notes. The Company paid 320,000 share purchase warrants as finder's fees exercisable at \$0.50 per share for a period of three years. The warrants were valued at \$147,232 using the Black-Scholes option-pricing model using the following assumptions: expected life of three years, risk free rate of 0.98%, expected dividend yield of 0% and expected volatility of 100%.
- 9) On February 27, 2013 the Company closed an equity financing of \$1,106,000 consisting of 3,160,000 units at \$0.35 per unit where each unit consists of one common share and one common share purchase warrant. The common share purchase warrants are exercisable over a four year period at a price of \$0.50 in year one, \$0.55 in year two, \$0.65 in year three and \$0.75 in year four. The warrants were valued at \$378,368 using the Black-Scholes option-pricing model using the following assumptions: expected life of four years, risk free rate of 0.98%, expected dividend yield of 0% and expected volatility of 100%.

Smart Employee Benefits Inc.

Notes to Unaudited Condensed Interim Consolidated Financial Statements

May 31, 2015

- 10) On March 5, 2013 the Company closed the acquisition of SOMOS. As part of the purchase price the Company issued 1,000,000 warrants. The warrants have a term of 60 months and an escalating exercise price every 12 months of \$0.45, \$0.55, \$0.65, \$0.70 and \$0.75 during the term. The warrants were valued at \$174,100 using the Black-Scholes option-pricing model using the following assumptions: expected life of 5 years, risk free rate of 0.98%, expected dividend yield of 0% and expected volatility of 100%.
- 11) On June 11, 2014 the Company acquired 100% of Stroma Service Consulting Inc. In connection with the transaction, 1,000,000 SEB share purchase warrants were granted to employees of Stroma. The warrants have a four year term and are exercisable at \$0.50, \$0.55, \$0.60 and \$0.70 per common share of SEB in years one, two, three and four of the term, respectively. The warrants were valued at \$317,100 using the Black-Scholes option-pricing model using the following assumptions: expected life of four years, risk free rate of 0.98%, expected dividend yield of 0% and expected volatility of 100%.
- 12) On November 4, 2014 the Company acquired 50% of Banyan Work Health Solutions Inc. and BITS Licensing Inc. As part of the purchase price, the Company issued 1,000,000 share purchase warrants as retention warrants to key Banyan employees. The retention warrants have an exercise price of \$0.50 per share and a term of 48 months, with one-third of the warrants vesting at the end of each year for the first 36 months. The warrants were valued at \$319,200 using the Black-Scholes option-pricing model using the following assumptions: expected life of four years, risk free rate of 0.98%, expected dividend yield of 0% and expected volatility of 100%.
- 13) On February 11, 2015 the Company 50% of SEB Benefits & HR Consulting Inc. As part of the purchase price, the Company issued 50,000 share purchase warrants to acquire SEB shares. The warrants are exercisable at \$0.50 per SEB share for a term of 36 months and vest 25% every six months. The warrants were valued at \$13,080 using the Black-Scholes option-pricing model using the following assumptions: expected life of three years, risk free rate of 0.98%, expected dividend yield of 0% and expected volatility of 100%.
- 14) Effective December 31, 2014, the Company closed in escrow the acquisition of Paradigm Consulting Group Inc. and PCGI Consulting Services Partnership, amalgamated into one company, named Paradigm Consulting Group Inc. As part of the Purchase Price, the Company issued 1,000,000 share purchase warrants to Paradigm employees as a retention incentive. All warrants have a 48-month term and an exercise price of \$0.50 per share. The warrants vest one-sixth every six months over a 36 month period following the closing of the transaction. The warrants were valued at \$290,000 using the Black-Scholes option-pricing model using the following assumptions: expected life of three years, risk free rate of 0.98%, expected dividend yield of 0% and expected volatility of 100%.

(d) Share purchase options

The SEB stock option plan (the “Plan”) is administered by the Board of Directors of the Company which establishes the exercise prices, vesting conditions and expiry date of the options. The number of common shares reserved for issuance under the Plan at May 31, 2015 is 8,878,373. At May 31, 2015, the Company had 7,590,250 options issued and outstanding under the terms of the Plan.

Smart Employee Benefits Inc.

Notes to Unaudited Condensed Interim Consolidated Financial Statements
May 31, 2015

Exercise Price	Expiry	Activity During the Period						
		Feb 28, 2015	Granted	Expired	Exercised	May 31, 2015	Exercisable	
\$ 0.35	Jul 24, 2015	50,000	-	-	-	50,000	50,000	
\$ 0.33	Aug 16, 2015	400,000	-	-	-	400,000	400,000	
\$ 0.34	Sep 13, 2015	200,000	-	-	-	200,000	200,000	
\$ 0.60	Feb 7, 2016	400,000	-	-	-	400,000	400,000	
\$ 0.35	Mar 15, 2016	140,000	-	-	-	140,000	140,000	
\$ 0.20	Apr 5, 2016	87,000	-	-	-	87,000	87,000	
\$ 0.35	Apr 23, 2016	1,032,000	-	-	(3,750)	1,028,250	1,028,250	
\$ 0.35	Apr 23, 2016	100,000	-	-	-	100,000	100,000	
\$ 0.50	Feb 7, 2017	300,000	-	-	-	300,000	150,000	
\$ 0.58	Mar 20, 2017	130,000	-	-	-	130,000	65,000	
\$ 0.58	Mar 20, 2017	100,000	-	-	-	100,000	100,000	
\$ 0.42	Jul 24, 2017	250,000	-	-	-	250,000	100,000	
\$ 0.50	Sep 5, 2017	200,000	-	-	-	200,000	50,000	
\$ 0.45	Oct 23, 2017	200,000	-	-	-	200,000	100,000	
\$ 0.45	Oct 23, 2017	505,000	-	-	-	505,000	126,250	
\$ 0.50	Oct 23, 2017	600,000	-	-	-	600,000	240,000	
\$ 0.50	Oct 24, 2017	1,400,000	-	-	-	1,400,000	1,400,000	
\$ 0.50	Oct 24, 2017	600,000	-	-	-	600,000	600,000	
\$ 0.50	Jan 20, 2018	900,000	-	-	-	900,000	900,000	
\$ 0.50	Mar 26, 2018	-	300,000	-	-	300,000	30,000	
Totals		7,594,000	300,000	-	(3,750)	7,890,250	6,266,500	
Weighted avg exercise price		\$ 0.46	\$ 0.50	N/A	\$ 0.35	\$ 0.46	\$ 0.45	

(e) Loss per Share

The weighted average number of common shares outstanding for the three months ending May 31, 2015 was 88,781,247 (66,743,155 for the three months ending May 31, 2014).

The dilutive effect of options and warrants outstanding was not included as it would serve to reduce the loss per share reported.

16. Financial Instruments

Fair Values

The Company's financial instruments consist of cash, funds in trust, accounts receivable, accounts payable and accrued liabilities, convertible debt, equipment leases and loans, and amounts due to shareholders. The convertible debt has been discounted to its fair value. The fair values of the remaining financial instruments approximate their carrying values due to the short-term nature of these financial instruments.

Credit Risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. For financial assets, this is typically the gross carrying amount, net of any amounts

Smart Employee Benefits Inc.

Notes to Unaudited Condensed Interim Consolidated Financial Statements

May 31, 2015

offset and any impairment losses. The Company is not exposed to any significant credit risk.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates may have an effect on the cash flows associated with some financial instruments, known as interest rate cash flow risk, or on the fair value of other financial instruments, known as interest rate price risk. The Company is not exposed to any significant interest rate 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 currently settles its financial obligations such as accounts payable out of cash.

The Company is not exposed to any material foreign exchange or price risk.

17. Capital Management

The Company's capital consists of share capital, contributed surplus, options, warrants and convertible debt in the amount of \$26,348,879 at May 31, 2015 (\$20,354,669 at November 30, 2014). The Company's capital management objectives are to safeguard its ability to continue as a going concern and to have sufficient capital to be able to identify, evaluate and then acquire an interest in a business or assets. 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.

18. Related Party Transactions

Management fees

Two shareholders of the Company, one acting in the capacity of President, Chief Executive Officer and Chief Information Officer and the other acting as Chief Financial Officer, Chief Operating Officer and Corporate Secretary, were paid management fees during the period March 1, 2015 to May 31, 2015 totalling \$135,750 (\$106,500 during the period March 1, 2013 to May 31, 2014). The President, Chief Executive Officer and Chief Information Officer is also a Director of the Company.

Short term notes receivable

Included in Accounts receivables are amounts due from two Directors, in the amounts of \$60,000 and \$112,539. The amounts are expected to be collected within the fiscal year.

Short term notes payable

Included in Short Term Loans was an amount of \$1,500,000 advanced by the Chairman of the Board at an interest rate of 10% per annum, with a maturity date of August 31, 2015 (see Note 14).

Smart Employee Benefits Inc.

Notes to Unaudited Condensed Interim Consolidated Financial Statements

May 31, 2015

19. Net Change in Non-cash Working Capital items

	<i>Mar 1, 2015 to May 31, 2015</i>	<i>Mar 1, 2014 to May 31, 2014</i>	<i>Dec 1, 2014 to May 31, 2015</i>	<i>Dec 1, 2013 to May 31, 2014</i>
Accounts receivable	\$ 966,029	\$ (56,946)	\$ 490,180	\$ (341,970)
Inventory	9,771	6,479	40,581	6,479
Prepaid and deposits	(181,278)	(580,863)	(307,647)	(563,960)
Bank loan	2,412,164	155,357	2,321,256	(187,792)
Accounts payable and accrued liabilities	(211,412)	365,994	(1,998,944)	351,689
Deferred revenue	(80,745)	486,176	(282,753)	373,382
Deferred tax	(140,521)	-	(140,521)	-
Non-controlling interest	-	32,115	-	1,560
Government remittances and current income taxes payable	(134,404)	12,995	75,475	20,589
Total	\$ 2,639,604	\$ 421,307	\$ 197,627	\$ (340,023)

20. Commitments

Commitments at May 31, 2015 consist of the following:

	Short Term Notes	Convertible loans	Equipment loans	Equipment leases	Term bank loan	Premise leases	Total
Fiscal 2015	2,075,729	114,549	6,250	7,476	525,000	487,282	3,216,286
Fiscal 2016	-	4,097,198	12,500	6,562	1,050,000	925,160	6,091,420
Fiscal 2017	-	517,955	3,125	-	1,050,000	983,756	2,554,836
Fiscal 2018	-	1,457,295	-	-	1,050,000	1,013,054	3,520,349
Fiscal 2019	-	12,111	-	-	262,500	572,253	846,864
Total	\$ 2,075,729	\$ 6,199,108	\$ 21,875	\$ 14,038	\$ 3,937,500	\$ 3,981,505	\$ 16,229,755

Convertible loans are shown at face value.

21. Contingent Consideration Payable

1) Adeeva acquisition	659,000
2) Inforica acquisition	211,118
3) Banyan acquisition	206,330
4) Paradigm acquisition	1,208,634
	2,285,082
Less: current portion	(90,000)
Balance May 31, 2015	2,195,082

- As part of the consideration for the Adeeva acquisition the Company is obligated to pay additional royalties based on future financial results of Adeeva. The royalty payment provisions provide that, for an indefinite term, the Company will pay to the former debtholders of Adeeva a future royalty of 1% of Adeeva sales and 3% of Adeeva gross margins to a maximum aggregate payment of \$1,000,000.
- As part of the consideration for the Inforica acquisition the Company is obligated to pay additional royalties based on future financial results of Inforica. The royalty payment provisions provide that, for an indefinite term, the Company will pay to the preferred shareholders of

Smart Employee Benefits Inc.

Notes to Unaudited Condensed Interim Consolidated Financial Statements

May 31, 2015

Inforica a future royalty of 3.68% of energy revenue to a maximum aggregate payment of \$350,000.

- 3) As part of the consideration for the Banyan investment the Company is obligated to pay up to \$425,000 based on certain performance measures. The \$425,000 is payable on a pro-rated basis based on Banyan's cumulative pre-tax earnings between \$3,840,000 and \$4,800,000 on or before November 3, 2018.
- 4) As part of the consideration for the Paradigm acquisition the Company is obligated to pay up to \$2,365,572 based on certain performance measures. The \$2,365,572 is payable based on Paradigm's cumulative EBITDA on or before December 31, 2019.

An estimate of the ranges of outcomes for the contingent consideration payable is as follows:

	Minimum	Maximum
Adeeva acquisition	43,842	1,000,000
Inforica acquisition	50,120	350,000
Banyan acquisition	-	425,000
Paradigm acquisition	-	2,365,572
	93,962	4,140,572

22. Segment Disclosures

The Company organizes its reporting structure into three reportable segments. The reportable segments have been adjusted for significant business acquisitions and different revenue streams. For management purposes, the Company is organized into divisions based on their products and services provided. Management monitors the operating results of each division separately for the purpose of making decisions about resource allocation and performance assessment.

The Company has three reportable operating segments as follows:

- Health Care division provides software, solutions, services and products focused on managing group benefit and wellness solutions and healthcare claims processing environments for corporate and government clients.
- Technology division provides professional services and solutions in the areas of supply chain management, integration and energy, as well as training and resource provisioning and supports the Health Care division.
- The Corporate division does not represent an operating segment and is included for information purposes only. Corporate division expenses consist of public company costs, as well as salaries, share-based compensation, interest and finance costs and office and administrative costs relating to corporate employees.

Smart Employee Benefits Inc.

Notes to Unaudited Condensed Interim Consolidated Financial Statements

May 31, 2015

	Health Care	Technology	Corporate	Total
Balance Sheet at May 31, 2015				
Current assets	\$ 1,821,395	\$ 11,092,027	\$ 699,610	\$ 13,613,032
Long term deposits	-	-	275,352	275,352
Equipment	253,168	692,380	-	945,548
Acquired software	2,324,936	1,154,157	-	3,479,093
Customer relationships	936,083	6,430,615	-	7,366,698
Trade names	708,500	2,642,734	-	3,351,234
Intellectual property	87,083	-	-	87,083
Goodwill	2,809,737	5,126,576	-	7,936,313
Total assets	\$ 8,940,902	\$ 27,138,489	\$ 974,962	\$ 37,054,352
Current liabilities	1,756,944	3,130,803	13,316,241	18,203,988
Total liabilities	\$ 6,783,843	\$ 3,130,803	\$ 15,479,816	\$ 25,394,462

Income Statement for quarter ending May 31, 2015

Revenues	\$ 2,595,225	\$ 10,747,305	\$ -	\$ 13,342,530
Cost of revenues	2,008,421	8,188,526	-	10,196,947
Operating costs	603,464	1,462,107	468,789	2,534,360
Operating income (loss)	(16,660)	1,096,672	(468,789)	611,223
Interest	6,606	117,479	206,373	330,458
Share-based compensation	-	-	373,603	373,603
Acquisition and financing	-	-	830,127	830,127
Amortization	68,451	603,990	52,361	724,802
Depreciation	23,402	42,312	-	65,714
Accretion of interest	-	-	187,892	187,892
Gain on sale of business	-	(100,000)	-	(100,000)
Income tax	-	(71,485)	-	(71,485)
Income (Loss) for the period	\$ (115,119)	\$ 304,376	\$ (2,119,145)	\$ (1,929,888)

23. Reclassification

Certain amounts in comparative financial statements have been reclassified to conform to current presentation.

24. Subsequent Events

Acquisition of Maplesoft Group Inc.

On June 11, 2015, the Company announced it had, through its wholly-owned subsidiary, SOMOS Consulting Group Ltd. ("SOMOS"), entered into an agreement, dated June 10, 2015, to acquire 100% of Maplesoft Group Inc. ("Maplesoft"), an Ottawa-based corporation with regional offices in Calgary, Montreal and Toronto.

The acquisition cost of Maplesoft is approximately \$19,331,845 plus performance-based contingent consideration:

Smart Employee Benefits Inc.

Notes to Unaudited Condensed Interim Consolidated Financial Statements

May 31, 2015

1. Cash of \$10,000,000;
2. Debt to be assumed of \$7,331,845;
3. SEB shares, equivalent to \$2,000,000, priced based on the three day weighted average trading price prior to the closing date, subject to a minimum price equal to the higher of (i) \$0.50 per share and (ii) the price of the SEB shares on the closing date;
4. 1,000,000 share purchase warrants for employee retention vesting over a 48-month period, with an exercise price of no less than the price of the SEB shares at the closing date; and
5. Performance incentive consideration equivalent to 15% of the increase of the enterprise value of Maplesoft over a five year period (the "Performance Incentive Payments").

In addition, SEB will also provide an advance of \$2,000,000 to existing Maplesoft shareholders to be secured by the SEB shares issued to such shareholders. The advance will be offset against any amounts owed to such shareholders pursuant to the Performance Incentive Payments.

The transaction is subject to completion of final due diligence and definitive documents between the parties and approval by the TSXV and the respective Boards of Directors of the parties.