SMART EMPLOYEE BENEFITS INC

www.seb-inc.com

Management Discussion and Analysis

For the three and nine months ended August 31, 2015 and 2014

Contents

Management Discussion and Analysis

This Management Discussion and Analysis ("MD&A") of Smart Employee Benefits Inc. (the "Company" or "SEB") covers the operating and financial results for the three and nine months ended August 31, 2015, and subsequent events up to the date of this report October 30, 2015. This MD&A should be read in conjunction with the unaudited condensed interim consolidated financial statements and accompanying notes for the quarter ended August 31, 2015. All financial information is prepared in accordance with International Financial Reporting Standards ("IFRS"). All dollar amounts are in Canadian dollars unless otherwise indicated.

The Company is a reporting issuer in Ontario, Alberta and British Columbia, and is listed on the TSX-V under the symbol SEB. SEB documents and securities filings can be viewed on the SEDAR website (www.sedar.com) and additional information on the Company can be obtained via the Company's website at www.SEB-inc.com.

Forward Looking Statements, Risks and Uncertainties

Certain statements in this MD&A may constitute "forward-looking" statements that involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of SEB, or the industry, to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. When used in this MD&A, such statements use words such as "may", "will", "expect", "believe", "plan" or other similar terminology. These statements are not guarantees of future performance and are subject to numerous risks and uncertainties.

The risks and uncertainties include: the ability to achieve profitability and manage growth, reliance on and retention of competent staff, competition, performance obligations and client satisfaction, general state of the economy, possible acquisitions, possible future litigation, insurance limits, legislative and regulatory changes, revenue and cash flow volatility, operating risks, protection of intellectual property, valuation mandates, and restrictions on growth. Given these risks and others described elsewhere in this document, investors should not place undue reliance on forward-looking statements as a prediction of actual results.

These statements reflect management's current expectations regarding future events and operating performance and speak only as of the date of this MD&A, and, except in compliance with applicable law, SEB assumes no obligations to update or revise them to reflect new events or circumstances. Additionally, SEB undertakes no obligation to comment on analyses, expectations or statements made by third parties in respect of SEB, its financial or operating results, or its securities.

Company Overview

SEB's Goal
SEB is a technology company which builds and manages fully-integrated data processing solutions. SEB's Goal is to become a major force in the processing and administration of health care benefit transactions for privately and publicly funded plans in Canada.

The primary targeted health market has two segments: Employee Group Benefits, in which annual spend is approximately $35.0 billion, and Government Funded Benefits (federal and provincial), where $25.0 billion is spent annually.

SEB's strategy to achieve its Goal

- enhance its proprietary health benefit claims adjudication and administration software; and
- acquire successful companies which will support SEB's processing technology and/or provide sales channels to reach its Goal, through existing vendor relationships, project references and complementary health services.

Milestones to achieve Goal
2011—acquired the most advanced health claims adjudication technology available; began enhancing the adjudication component and developing administration components
2012—became listed on the Toronto Venture Exchange
2013—acquired Logitek Technology Ltd., Somos Consulting Group Ltd., and 50% of Inforica Inc., all technology companies
2014—acquired technology companies APS-Antian Professional Services Inc. and Stroma Service Consulting Inc. and health companies Adeeva Nutritionals Canada Inc., 75% of Meschino Health and Wellness Corporation and 50% of Banyan Work Health Solutions Inc.
2015—acquired 50% of health consulting company SEB Benefits and HR Consulting Inc., through Banyan acquired 50% of Polon Analytics Inc.; acquired technology company Paradigm Consulting Group Inc. and signed a Letter of Agreement to acquire Maplesoft Consulting Group Inc.

Current Status
SEB is now uniquely positioned to offer a full suite of technology-enabled services and solutions to an expanded clientele through two divisions.

Benefits Division—delivers software-enabled services in the Personal Health Sector to corporate and government clientele through four inter-related segments:

- SEB Benefits – Utilizing its leading-edge proprietary benefit adjudication and administration software, SES is able to provide cost-effective flexible group plan design and administration, and fast, accurate secure claims adjudication to all types of customers;
- Banyan – Leveraging proprietary disability management software, both national and global employers and insurers are offered full spectrum solutions in disability and health data analytics and predictive modeling;
- Meschino Health and Adeeva – Web-based individual health management platform, offering personalized assessments and education, in addition to being a producer of high quality products and formulations directed toward promoting health; and
- SEB Consulting – Offering risk management solutions through health-related data analysis and consulting services including benefit program design, workers compensation and disability management audits, actuarial consulting, and strategies for wellness and mental health in the workplace.

Technology Division—supports the Benefits Division by providing technological support and sales growth expansion opportunities and serves its existing technology clients through three inter-related segments:

- Logitek and Inforica – Development, implementation, integration and hosting of software solutions for big data environments, retail supply chain, PCI compliant transaction processing, and energy management, amongst others;
- SOMOS and Stroma – Leaders in the provision of information technology consultants in central Canada. Services include: business, project, portfolio and IT consulting, and licensing and training for Marval™ and Prince2™; and
- Paradigm – Premier supplier of the most trusted consulting professionals in Western Canada, offering both IT and business consulting services, with a renowned reputation for continuous professional development.

Future Growth

SEB intends to acquire additional client relationships and vendor status to support a complementary organic growth environment with both employers and government. Targeted acquisitions are expected to bring synergistic opportunities for cross selling, in addition to references necessary for successful responses to RFPs.

- In the Benefits Division, acquisitions target third party administrators, as well as broker and consultant organizations that provide solutions and services to employers. The objective is to secure the client relationships and transition many of the front and back-office business processes to the SEB technology platform over time.
- In the Technology Division, SEB will consider companies which have established vendor relationships, security clearances and project references that are required to bid on government health contracts, in addition to technology providers with operations and/or products which are strategically supportive of or complementary to Health Benefits processing/operations.

Company Developments during the Three and Nine Months ended August 31, 2015

Financial Discussion

Select income statement highlights for the periods ended August 31, 2015 and 2014:

	Three months ended August 31			*Nine months ended August 31*		
	2015	*2014*	*Change*	*2015*	*2014*	*Change*
Revenue	**$ 11,878,990**	**$ 5,749,929**	**$ 6,129,061**	**$ 36,503,100**	**$ 15,461,758**	**$ 21,041,342**
Cost of revenues	8,710,481	4,587,944	(4,122,537)	27,468,605	12,146,369	(15,322,236)
Gross Margin	**3,168,509**	**1,161,985**	**2,006,524**	**9,034,495**	**3,315,389**	**5,719,106**
	27%	20%		25%	21%	
Operating costs	3,139,546	2,173,273	(966,273)	7,874,205	5,403,994	(2,470,211)
Adjusted EBITDA	**28,963**	**(1,011,288)**	**1,040,251**	**1,160,290**	**(2,088,605)**	**3,248,895**
Share-based compensation	5,637	106,071	100,434	537,077	381,151	(155,926)
Acquisition and financing costs	-	-	-	830,127	-	(830,127)
EBITDA	**23,326**	**(1,117,359)**	**1,140,685**	**(206,914)**	**(2,469,756)**	**2,262,842**
Interest	295,741	153,532	(142,209)	751,323	420,350	(330,973)
Amortization	716,647	249,287	(467,360)	2,124,749	640,749	(1,484,000)
Depreciation	103,732	24,188	(79,544)	204,454	77,647	(126,807)
Accretion of interest	189,504	134,214	(55,290)	571,908	347,605	(224,303)
Income tax expense (recovery)	98,000	-	-	95,893	-	(95,893)
Net loss	**(1,380,298)**	**(1,678,580)**	**396,282**	**(3,955,240)**	**(3,956,107)**	**867**
Gain on sale of portion of business	-	-	-	1,100,000	-	1,100,000
Net comprehensive income (loss)	**$ (1,380,298)**	**$ (1,678,580)**	**$ 396,282**	**$ (2,855,240)**	**$ (3,956,107)**	**$ 1,100,867**

Revenue

For the quarter ended August 31, 2015, SEB recorded revenue of $11,878,990 an increase of $6,129,061 over the comparable three months of the prior year. This increase is primarily attributable to the acquisition of Paradigm Consulting Group and Banyan Work Health Solutions. Paradigm alone contributed $5,568,315 during the quarter.

Year to date revenues for the nine months then ended increased 136% over prior year totaling $36,503,100. The $21,041,342 change over prior year can be ascribed to the current year's acquisitions of Paradigm Consulting Group ($15,783,658) and Banyan Work Health Solutions ($6,429,948).

Gross margin

The Company's gross margin for the third quarter was $3,168,509 more than double the previous comparable period prior year due to the acquisitions noted above. In addition, Logitek Technologies Inc. renegotiated certain client contracts which contributed to the increased gross margin %. The acquisitions and the contract renegotiations can be fully appreciated in the nine month year over year change of $5,719,106.

Operating costs

Operating costs increased $966,273 in the quarter over prior year. Of this, $637,380 was attributed to the new entities, the remainder can be ascribed to the expensing of software development salaries within SES Benefits which had previously been capitalized.

YTD operating costs increased by $2,470,211 due to an increase of $739,212 in salaries, $523,530 increase in professional fees and a $1,207,469 increase in office and general costs. Of this, $1,792,697 are assigned to the newly consolidated companies.

Share based compensation
Options are a non-cash incentive used by the Company to retain key employees. When issued, the options are assigned a cost using a Black-Scholes calculation. The Company uses a “graded vesting” system to allocate the cost to fiscal periods. Therefore the expense for the period does not rise and fall according to options issued during that period.

Amortization
In the three months ended August 31, 2015, amortization increased by $467,360 ($1,484,000 over nine months). This expense pertains to the on-going amortization of intangible assets of the newly acquired entities. Details can be found on notes 6-8 of third quarter financial statements.

Interest accretion
Interest accretion is associated with convertible debt. The increase of $55,290 over prior year quarter, and $224,303 YTD over prior year is consistent with the increase in convertibles debt issued as part of the acquisitions during the past 12 months.

Select balance sheet highlights as of August 31, 2015 and 2014:

	Aug 31, 2015	***Aug 31, 2014***	***Change from 2014***
Cash and cash equivalents	$ 2,576,672	$ 180,862	$ 2,395,810
Accounts receivable	9,032,444	5,373,033	3,659,411
Other current assets	774,994	824,306	(49,312)
Long term deposits	275,352	158,474	116,878
Equipment	859,381	837,646	21,735
Intangible assets	24,091,598	7,621,187	16,470,411
Total Assets	**$ 37,610,441**	**$ 14,995,508**	**$ 22,614,933**
Bank loan	$ 7,436,694	$ 1,555,784	$ 5,880,910
Accounts payable, current taxes and accrued liabilities	6,044,765	3,648,690	2,396,075
Deferred revenue	454,127	933,237	(479,110)
Short-term notes	2,113,229	677,769	1,435,460
Equipment leases and loans	27,499	163,567	(136,068)
Convertible debt	5,234,584	4,457,270	777,314
Contingent consideration payable	2,314,226	248,613	2,065,613
Deferred income taxes	3,365,027	571,214	2,793,813
Preferred shares	350,000	350,000	-
Total Liabilities	**$ 27,340,151**	**$ 12,606,144**	**$ 14,734,007**

Cash and cash equivalents
The increase in cash of $2,395,810 can be attributed to both the addition of Paradigm ($1,547,781) and the consolidation of Banyan ($726,599), neither of which were part of SEB during the comparable period in the prior year.

Accounts receivable
Multiple acquisitions in the last year accounted for a significant portion of the $3,659,411 increase in accounts receivable.

Other current assets
Other current assets is comprised of inventory and prepaids. Inventory decreased by $34,930 over the prior year due to stronger inventory management and solid supplement sales in Adeeva. Prepaids decreased by $14,382 as prepaid rent and insurance were expensed.

Long term deposits
The long term deposit account contains the deposit for the corporate premises in Mississauga ON which the company relocated to in Q3, 2014.

Equipment
Equipment is comprised of the depreciated value of furniture, computer hardware and computer hardware under capital lease. The Q3, 2015 balance increased by $21,735 from Q3, 2014 as a result of the inclusion of equipment of both Paradigm and Banyan offset by depreciation expense of all the entities.

Intangible assets
Prior to August 31, 2015 the Company acquired control of nine companies (Logitek, SOMOS, Inforica, Antian, Adeeva, Stroma, Banyan, Paradigm and SEBCON). The difference between the purchase price of these companies, and the tangible assets has been attributed to intangible assets such as software, intellectual property, customer relations, trade names and goodwill. A valuator was contracted to allocate the value of intangible assets for the larger entities. We have reflected the preliminary adjustments of the Paradigm and Banyan valuations in the current year.

Bank loan
During the second quarter, the Company obtained new credit facilities on behalf of Paradigm Consulting Group and replaced the existing credit arrangement of SOMOS, Logitek and Stroma. The balance of $7,436,694 partially reflects the financing of the acquisition of Paradigm.

Accounts payable, current taxes and accrued liabilities
Accounts payable, taxes and accrued increased over the prior year by $2,689,888, 81% arising from the consolidation of companies acquired over the past 12 months.

Deferred revenue
Deferred revenue is the amount of licensing fees and consulting service revenue paid in advance of services being rendered. This amount decreased by $479,110 over the prior year as deferred revenues were earned.

Short-term notes
Short term notes increased by $1,435,460, primarily from a note issued to the Chairman of the Board for temporary financing associated with Paradigm.

Equipment leases and loans
Both equipment leases and loans have decreased over prior year, representing payments on existing leases/loans. No new equipment leases or loans were entered into.

Convertible debt
The net increase in convertible debt for the year of $777,314 reflects $1,182,786 convertible notes issued on the acquisition of Paradigm, offset by conversions.

Contingent consideration payable
Contingent liabilities are discounted payments related to future performance of acquired companies. Total contingent liability increased by $2,065,613 primarily as a result of adjustments stemming from the external Valuator's preliminary report on the Paradigm acquisition. At Q3, 2014, the contingent liability was $248,613, the increase in the past 12 months is primarily due to the consideration contingently payable for Banyan ($206,330) and Paradigm ($1,208,634), and the final valuator's report on Adeeva ($659,000).

Deferred income taxes
Deferred income taxes arises from the timing difference of intangibles amortized for accounting purposes versus for tax. This non-cash long term liability was adjusted in the quarter to reflect the preliminary valuations of both Paradigm and Banyan.

Select cash flow highlights as of August 31, 2015 and 2014:

	Three months ended August 31			Nine months ended August 31		
	2015	***2014***	***Change***	***2015***	***2014***	***Change***
Cash flows from operating activities	$ 140,661	$ (1,562,552)	$ 1,703,213	$ 1,016,140	$ (3,246,710)	$ 4,262,850
Cash flows from investing activities	(100,391)	(787,283)	686,892	(5,656,817)	(762,003)	(4,894,814)
Cash flows from financing activities	(329,806)	793,162	(1,122,968)	6,814,253	3,931,967	2,882,286
Net change in cash for the period	**$ (289,536)**	**$ (1,556,673)**	**$ 1,267,137**	**$ 2,173,576**	**$ (76,746)**	**$ 2,250,322**

Cash flows from operating activities
Cash generated in operating activities for the quarter was $140,661 (cash generated in first nine months of 2015 was $1,016,140), compared to cash used of $1,562,552 in the comparable quarter prior year (cash used in the first nine months of 2014 was $3,246,710).

Up to this date, the Company has been in the development stage and in the process of developing/acquiring sustainable revenue for generation of cash flow. During this period, it has relied on raising the necessary cash through issues of equity capital or debt which is convertible to equity capital to fund acquisitions, operations and software development.

Cash flows from investing activity
During the three months ended August 31, 2015, the Company received $100,000 as part of the EDI sale, and spent $200,392 on software and equipment. The comparable third quarter recorded investment outflows of $787,283, of which $650,000 pertained to Stroma.

For the nine months ended August 31, 2015, SEB received $1,850,000 as part of the EDI sale, and invested $6,814,422 on the acquisition of Paradigm.

Cash flows from financing activity
In the third quarter, SEB received $135,063 from the exercise of options, and the Company repaid its loans and leases by $352,369. In prior year's third quarter SEB received $68,850 on exercised options and warrants, and an additional $685,310 in proceeds from convertible financings and short term notes. Equipment loans and leases were increased $39,002.

Operations Discussion

Select segmented highlights up to August 31, 2015

	Three months ended August 31, 2015				Three months ended August 31, 2014			
	Benefits	*Technology*	*Corporate*	*Total*	*Benefits*	*Technology*	*Corporate*	*Total*
Revenues	$ 2,546,346	$ 9,332,644	$ -	$ 11,878,990	$ 290,471	$ 5,459,458	$ -	$ 5,749,929
Cost of revenues	2,018,332	6,692,149	-	8,710,481	114,720	4,473,224		4,587,944
Operating costs	760,727	1,483,561	895,257	3,139,545	494,559	1,071,991	606,723	2,173,273
Operating income (loss)	**(232,713)**	**1,156,934**	**(895,257)**	**28,964**	**(318,808)**	**(85,757)**	**(606,723)**	**(1,011,288)**
								-
Interest	5,695	126,632	163,414	295,741	12,201	33,261	108,070	153,532
Share-based compensation	-	-	5,637	5,637	-	-	106,071	106,071
Amortization	193,430	523,217	-	716,647	29,500	219,787	-	249,287
Depreciation	14,859	88,873	-	103,732	3,295	20,893	-	24,188
Accretion of interest	-	55,178	134,327	189,505	-	-	134,214	134,214
Income tax	98,000	-	-	98,000	-	-	-	-
Income (Loss) for the period	**$ (544,697)**	**$ 363,034**	**$ (1,198,635)**	**$ (1,380,298)**	**$ (363,804)**	**$ (359,698)**	**$ (955,078)**	**$ (1,678,580)**

Benefits Division

On December 1, 2014, the Benefits Division acquired control of Banyan Work Health Solutions Inc. and Bits Licensing ("Banyan"). While the share structure remains unchanged from the acquisition date of November 4, 2014, changes in the Board make-up have tipped the scales in SEB's favour, allowing for consolidation of results. Banyan operates as a full spectrum Disability Management (DM) TPA provider serving employers and disability insurers. Its offerings include claims management, field rehabilitation services and a full range of specialized assessments/interventions to support its holistic approach to DM. Banyan is also a provider of Disability Benefit Technology solutions. Banyan is now well established across Canada and extends into the United States, Australia & New Zealand.

The Benefits Division also expanded through two investments. On February 11, 2015 it secured 50% ownership of SEB Benefits and HR Consulting ("SEBCON"). SEBCON will provide SEB's Benefits Division with the industry knowledge and expertise along with references, to help organizations optimize the benefits and healthcare program management. This expertise and knowledge is a critical ingredient in providing full service and end-to-end benefit solutions for corporate and government clients. In the second quarter, SEB joined forces with the Business Improvement Group to form BIG Benefits and HR Services Inc. ("BIG"). BIG Benefits and HR Services Inc. will leverage BIG's sales channels to promote the Health and Wellness services offered by SEB, which includes SEB Benefits Administration, SEB HR and Consulting, Disability Management from Banyan Work Health Solutions, and the Wellness Platform offered by Meschino.

Technology Division

On December 31, 2014, the Technology Division of SEB acquired all of the issued and outstanding shares of Paradigm Consulting Group Inc. and all of the issued and outstanding units of PCGI Consulting Services Partnership (collectively referred to as "Paradigm"). Paradigm has a 24-year history of providing management and information technology consulting services to healthcare, insurance, financial services, public sector, telecom and energy clients. With over 140 billable consultants, Paradigm is a market leader for delivering management consulting, portfolio/program/project management and application technology services to an enterprise level client base. Paradigm has a very deep portfolio of IP for its key client verticals which enables accelerated delivery of projects and maintains long term client relationships.

The Company laid the ground work for further expansion of this division through the signing of a Letter of Agreement on June 10, 2015 to acquire Maplesoft Consulting Group Inc. As one of the largest established consulting firms operating in the federal government environment, Maplesoft is perceived to be a highly valued asset. Maplesoft management has represented that Maplesoft has a number of large contract vehicles, a well-established workforce, solid client relations and a positive and sustainable EBITDA. Due diligence has been performed and the transaction is anticipated to be completed in the fourth quarter.

After strategic review of its assets, and a re-alignment to focus on the Company's core mission of servicing the Personal Health Sector, SEB divested of the Canadian Electronic Data Interchange ("EDI") business held by Logitek Technology Ltd. (a company within the Technology Division). On December 14, 2014, Logitek entered into an agreement with DiCentral Corporation ("DiCentral") to jointly service the EDI market. As part of this transaction, DiCentral acquired the EDI business, including all existing IP and support infrastructure in Canada, for $2,150,000. Logitek's "EDI" business represented approximately 35% of Logitek's total sales.

Operating changes continue to be made to each of the entities to streamline operations, reduce costs, and leverage synergies between the companies. During the first quarter, SOMOS Consulting Group was amalgamated with SOMOS Information Technology. In the second quarter, the consulting contracts and references of Stroma were transitioned to SOMOS which will manage that business segment on a go-forward. The Stroma Engineering Division was also transitioned to Inforica.

Corporate Division

During the three months ended August 31, 2015, corporate costs increased over prior year's Q3 by $243,557, the majority of the increase was tied to professional fees associated with pending acquisitions and financings.

Financing Discussion

The completed acquisitions, the continued development of SEB's technology platform, and the Company's operations during the startup phase were funded through a mixture of returns from existing business, equity offerings and debt financing. Specifically, the acquisition of Paradigm was concluded with a new credit facility in the amount of $8,775,000 with a major Canadian Schedule A bank which closed during the first quarter.

Subsequent to the quarter-end, the Company went to market with a convertible debt offering; however, due to the market volatility, its impact on small cap companies, and specifically the potential dilution of SEB stock, the Company terminated the offering. Following which, SEB announced the completion of the first tranche of a private placement equity financing for gross proceeds of $2,400,000 out of maximum aggregate proceeds of $4,000,000.

During the nine months ended August 31, 2015, the Company initiated analyst coverage with a number of prominent investment dealers. This coverage, the hiring of an EVP Capital Markets, and the retaining of market-making services with BBS Securities Inc. is expected to facilitate the trading of SEB Securities on the TSX-V.

Risk factors

The Company's growth and performance are subject to a number of risks such as consumer demand, client acceptance of the Company's products and services, industry competition, technological obsolescence, obtaining and retaining competent staff and failure to obtain sufficient capital to build the required infrastructure.

Going Concern
The Company has incurred operating losses and negative cash flow from operations during recent quarters. 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 material uncertainties that may cast significant 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.

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. The 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.

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 offset and any impairment losses. In the normal course of business, the Company is exposed to credit risk from its customers and the related accounts receivable are subject to normal industry credit risk. To mitigate this risk the Company reviews the creditworthiness of material new customers, monitors customer payment performance and, where appropriate, reviews the financial condition of existing customers. The Company establishes an allowance for doubtful accounts that corresponds to the specific credit risk of its customers and economic circumstances. The Company is not exposed to any significant credit rate risk.

Interest Rate Risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The bank loan bears interest at floating rates and as such is subject to interest rate cash flow risk resulting from market fluctuations in interest rates. Management believes that the Company is not currently 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's future liquidity is dependent on factors such as the ability to generate cash from operations and to raise money through debt or equity financing.