



Smart Employee Benefits Inc.
(formerly Whiteknight Acquisitions Inc.)

Unaudited Condensed Interim Consolidated Financial Statements
September 30, 2012

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 financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of unaudited condensed interim consolidated financial statements by an entity's auditor.

To the Shareholders of Smart Employee Benefits Inc.:

Management is responsible for the preparation and presentation of the accompanying 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 annual report 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 annual 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.

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

MSCM 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 unaudited condensed interim consolidated financial statements by an entity's auditor.

November 22, 2012

John McKimm

Chief Executive Officer

Robert Prentice

Chief Financial Officer

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Smart Employee Benefits Inc.

Unaudited Condensed Interim Consolidated Statements of Financial Position

As at	<i>September 30,</i> 2012	<i>September 30,</i> 2011
	<i>(unaudited)</i>	
Assets		
Cash	\$ 234,016	\$ 362,557
Funds in trust (Note 9)	-	400,000
Sundry receivables	226,648	36,782
Prepays and deposits	16,667	-
Total Current Assets	477,331	799,339
Developed software (Note 6)	371,255	-
Equipment, net of depreciation (Note 7)	30,501	23,250
Intangible asset, net of amortization (Note 8)	437,500	487,500
Total Assets	\$ 1,316,587	\$ 1,310,089
Liabilities		
Accounts payable and accrued liabilities	\$ 528,493	\$ 156,908
Obligation to related party (Notes 4, 14)	-	657,397
Convertible debt (Note 9)	-	919,891
Due to shareholders (Note 10)	5,100	4,100
Total Current Liabilities	533,593	1,738,296
Shareholders' Deficiency		
Share capital (Note 11)	4,046,567	36,500
Share issue costs (Note 11)	(321,012)	-
Contributed surplus (Note 9)	49,191	44,902
Warrants (Note 11)	1,073,020	-
Options (Note 11)	20,000	-
Deficit	(4,084,772)	(509,609)
Total Shareholders' Equity (Deficiency)	782,994	(428,207)
Total Liabilities and Shareholders' Equity (Deficiency)	\$ 1,316,587	\$ 1,310,089

Going concern (Note 2)
 Related party transactions (Note 14)
 Commitments (Note 16)

Approved on behalf of the Board:

Walter Simone
 Director

Stephen Peacock
 Director

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

Smart Employee Benefits Inc.

Unaudited Condensed Interim Consolidated Statement of Changes in Shareholders' Equity

	Share Capital		Warrants		Options		Contrib Share Issue		Total Equity	
	Number	\$	Number	\$	Number	\$	Surplus	Costs	Deficit	(Deficiency)
For the period December 17, 2010 to September 30, 2011										
Issue of common shares for cash	3,000,001	36,500	-	-	-	-	-	-	-	36,500
Issue of convertible debt	-	-	-	-	-	-	44,902	-	-	44,902
Net loss for the period	-	-	-	-	-	-	-	-	(509,609)	(509,609)
Balances September 30, 2011	3,000,001	36,500	-	-	-	-	44,902	-	(509,609)	(428,207)
Issue of convertible debt	-	-	-	-	-	-	4,289	-	-	4,289
SES losses for the period ending:										
December 31, 2011	-	-	-	-	-	-	-	-	(604,614)	(604,614)
March 31, 2012	-	-	-	-	-	-	-	-	(689,484)	(689,484)
June 30, 2012	-	-	-	-	-	-	-	-	(638,186)	(638,186)
SES balances at June 30, 2012	3,000,001	36,500	-	-	-	-	49,191	-	(2,441,893)	(2,356,202)
Reverse Take-over of WKA by SES										
Eliminate SES common shares	(3,000,001)	-	-	-	-	-	-	-	-	-
Issue of shares by WKA	30,000,010	-	-	-	-	-	-	-	-	-
Notionally SES acquires WKA	5,800,000	1,276,000	-	-	580,000	-	-	-	(856,238)	419,762
Conversion of SES debt	6,093,000	1,305,900	1,305,000	195,750	-	-	-	-	-	1,501,650
Concurrent financing										
Issue of shares	6,491,667	1,947,500	-	-	-	-	-	(217,325)	-	1,730,175
Issue of warrants	(519,333)	(519,333)	6,491,667	519,333	-	-	-	-	-	-
Issue of broker warrants	-	-	649,167	103,687	-	-	-	(103,687)	-	-
Balance after RTO transaction	48,384,677	4,046,567	8,445,834	818,770	580,000	-	49,191	(321,012)	(3,298,131)	1,295,385
Issue of warrants July 11, 2012	-	-	1,695,000	254,250	-	-	-	-	(254,250)	-
Issue of options August 16, 2012	-	-	-	-	500,000	20,000	-	-	(20,000)	-
Issue of options September 13, 2012	-	-	-	-	250,000	-	-	-	-	-
Net loss for the period July 1, 2012 to September 30, 2012	-	-	-	-	-	-	-	-	(1,642,879)	-
Add back items noted above:										
Notionally SES acquires WKA	-	-	-	-	-	-	-	-	856,238	-
Issue of warrants July 11, 2012	-	-	-	-	-	-	-	-	254,250	-
Issue of options August 16, 2012	-	-	-	-	-	-	-	-	20,000	-
Balances September 30, 2012	48,384,677	4,046,567	10,140,834	1,073,020	1,330,000	20,000	49,191	(321,012)	(4,084,772)	782,994

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

Smart Employee Benefits Inc.

Unaudited Condensed Interim Consolidated Statements of Comprehensive Loss

For the Period:	<i>October 1, 2011 to September 30, 2012</i>	<i>July 1, 2012 to September 30, 2012</i>	<i>December 17, 2010 to September 30, 2011</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	
Revenue	\$ 227,743	\$ 57,937	\$ 50,681
Cost of revenues			
Claims	128,897	37,679	28,337
Premiums	47,847	12,534	7,589
	176,744	50,213	35,926
Gross Margin	50,999	7,724	14,755
Operating Costs			
Salaries and other compensation costs	1,062,810	263,360	550,852
Share-based compensation (Note 11)	274,250	274,250	-
Professional fees	547,369	142,785	10,339
Office and general	312,339	93,946	18,327
Interest	86,164	5,775	4,500
Amortization of software licence (Note 8)	50,000	12,500	12,500
Depreciation of equipment (Note 7)	6,997	1,749	1,750
Accretion of financing bonus (Note 9)	188,994	-	7,656
Accretion of interest (Notes 9, 14)	241,001	-	40,973
	2,769,924	794,365	646,897
Income before undernoted	(2,718,925)	(786,641)	(632,142)
Fair value adjustment on related party loan (Note 14)	-	-	122,533
Listing adjustment on RTO (Note 5)	(856,238)	(856,238)	-
Net loss and comprehensive loss	\$ (3,575,163)	\$ (1,642,879)	\$ (509,609)
Weighted average number of shares outstanding for the period (Note 15)			
- basic and diluted	32,792,772	41,201,737	30,000,010
Loss from operations per common share			
- basic and diluted	\$ (0.11)	\$ (0.04)	\$ (0.02)

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

Smart Employee Benefits Inc.

Unaudited Condensed Interim Consolidated Statements of Cash Flows

For the Period:	<i>October 1, 2011 to September 30, 2012 (unaudited)</i>	<i>July 1, 2012 to September 30, 2012 (unaudited)</i>	<i>December 17, 2010 to September 30, 2011</i>
Net loss for the period	\$ (3,575,163)	\$ (1,642,879)	\$ (509,609)
Add items not involving cash:			
amortization of software licence (Note 8)	50,000	12,500	12,500
depreciation (Note 7)	6,997	1,749	1,750
accrued interest (Notes 9, 14)	241,001	-	40,973
accrued bonus (Note 11)	188,994	-	7,656
share-based compensation (Note 11)	274,250	274,250	-
fair value adjustment (Note 14)	-	-	(122,533)
share adjustment for RTO (Note 5)	856,238	856,238	-
non-cash working capital (Note 15)	200,372	(242,824)	262,470
Total adjustments	1,817,852	901,913	202,816
Cash used in operating activities	(1,757,311)	(740,966)	(306,793)
Cash flows from investing activities			
Purchase of developed software (Note 6)	(371,255)	(257,405)	-
Purchase of equipment (Note 7)	(14,248)	(7,161)	-
Cash flows from investing activities	(385,503)	(264,566)	-
Cash flows from financing activities			
Proceeds from share issue (Note 11)	1,730,175	1,730,175	36,500
Cash acquired on RTO (Note 5)	443,598	443,598	-
Related party obligation (Note 14)	(750,000)	(750,000)	-
Advances from shareholders (Note 10)	1,000	-	4,100
Debt issuance costs (Note 9)	(65,500)	-	(21,250)
Short term loans	-	(225,000)	-
Proceeds from issue of debt (Note 9)	255,000	-	650,000
Release of funds in trust (Note 9)	400,000	-	-
Cash provided by financing activities	2,014,273	1,198,773	669,350
Net change in cash for the period	(128,541)	193,241	362,557
Cash, beginning of period	362,557	40,775	-
Cash, end of period	\$ 234,016	\$ 234,016	\$ 362,557

Supplemental Information:

Interest paid in cash during the three months ending September 30, 2012 was \$5,775. No cash interest was paid in any other period. No income taxes have been paid.

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
September 30, 2012

1. Nature of Operations

Smart Employee Benefits Inc. (the "Company" or "SEB") is a technology company providing software, solutions and services specializing in managing "healthcare claims processing" environments for corporate and government clients.

Smart Employee Benefits Inc. was incorporated under the *Business Corporations Act (Ontario)* on December 23, 2010 as Whiteknight Acquisitions Inc. The Company was incorporated as a "Capital Pool Corporation" ("CPC"), as this term is defined in the policies of the TSX Venture Exchange (the "Exchange"). On July 11, 2012 the Company completed a Qualifying Transaction as this term is defined in the policies of the Exchange when it acquired 100% of the issued and outstanding shares of Smart Employee Solutions Inc. under the terms of a reverse-takeover transaction (the "Transaction") and on July 19, 2012, the shares of SEB began trading on the Exchange under the symbol "SEB" (see Note 5).

These financial statements are the unaudited condensed interim consolidated financial statements of Smart Employee Benefits Inc. and its subsidiary companies, all incorporated under the Business Corporations Act of Ontario:

- Smart Employee Solutions Inc., incorporated on December 17, 2010
- SES Benefits Canada Corporation, incorporated on April 29, 2011,
- SES Financial Corporation, incorporated April 14, 2011, and
- SES International Inc., incorporated December 17, 2010

The Company is a technology company servicing the Employee Group Benefits and Health Claims Processing segments of the Insurance Industry. SEB operates as a Third Party Administrator ("TPA") which owns its own Software Platform which administers, adjudicates, processes and pays health benefit claims.

SES Financial Corporation and SES International Inc. have no material assets and have engaged in no activities up to the date of the unaudited condensed interim consolidated statements of financial position.

SES Financial Corporation is owned 50% by the Company and 50% by certain shareholders of the Company on an individual basis. SES Financial Corporation had no significant operations during the period and had no assets or liabilities and therefore, the non-controlling interest is determined to be nil.

The Company's head office is Suite 800, 5935 Airport Road, Mississauga, Ontario, L4V 1W5 and its registered and records office address is Suite 300, 2355 Skymark Avenue, Mississauga, Ontario, L4W 4Y6.

These unaudited condensed interim consolidated financial statements follow the reporting schedule of Smart Employee Solutions Inc., which has September 30 as its year-end. The Company has elected to use November 30 as its year-end for financial reporting purposes, being the year-end of Whiteknight Acquisitions Inc. The Company will issue financial statements as at November 30, 2012 which will constitute its 'year-end' financial statements, then henceforth will issue annual and interim statements based on using November 30 as its year-end.

Smart Employee Benefits Inc.

Notes to Unaudited Condensed Interim Consolidated financial statements
September 30, 2012

1. Nature of Operations - continued

These unaudited condensed interim consolidated financial statements were authorized for issuance by the Board of Directors on November 22, 2012.

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 a significant operating loss during the periods of the unaudited condensed interim consolidated financial statements and negative cash flows from operations for the periods. There is no assurance that the Company will be able to generate net income or positive cash flows 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. 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 September 30, 2011. 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

Smart Employee Benefits Inc.

Notes to Unaudited Condensed Interim Consolidated financial statements
September 30, 2012

4. Significant Agreements

Software Licencing Agreement

Effective July 1, 2011, the Company entered into a licence agreement (“Licence”) with Bevertec, CST Inc. (“Bevertec”) a shareholder of the Company, to acquire from Bevertec the licence of a software platform 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.

The price to be paid under the terms of the Licence was a payment of \$500,000 (made following the completion of the Listing Transaction) and then a royalty stream of payments (“Royalty”) payable as follows: up to \$0.5 million based on 1% of the first \$50 million of sales revenue; up to \$2 million based on 2% the next \$100 million in sales revenue; and up to \$5 million based on 3% of the next \$167 million of sales revenue.

The timing and amount of royalty stream payments is not determinable due to ongoing enhancement of the software functionality and its sale is dependent on successful acquisitions, no amount has been accrued for fair value of royalty payments.

This asset is recorded as an intangible asset (Note 8). The liability was recorded under “Due to related party” (Note 14). The Company is accounting for the Adjudication Software Licence at fair value of \$500,000 and amortizing that amount over 10 years on a straight-line basis.

5. Reverse take-over (“RTO”) transaction

RTO Transaction

On July 11, 2012, Whiteknight Acquisitions Inc. (“Whiteknight”) acquired 100% of the issued and outstanding shares of Smart Employee Solutions Inc. (“SES”), a private company (the “Transaction”). The Transaction constituted a Qualifying Transaction of Whiteknight as such term is defined in Policy 2.4 of the Corporate Finance Manual of the TSXV.

To effect the Transaction, Whiteknight issued 30,000,010 common shares in exchange for the 3,000,001 common shares of SES, being 100% of the issued and outstanding capital of SES, resulting in the shareholders of SES becoming the controlling shareholders of Whiteknight.

On July 19, 2012, the TSX Venture Exchange approved the Transaction, resulting in the shares of the Company beginning to trade on the exchange under the symbol “SEB”.

Smart Employee Benefits Inc.

Notes to Unaudited Condensed Interim Consolidated financial statements
September 30, 2012

5. Reverse take-over (“RTO”) transaction - continued

Concurrent Financing

Concurrent with the closing of the Transaction, the Company closed a financing (“Concurrent Financing”) whereby 6,491,667 units, each unit consisting of one common share and one common share-purchase warrant, were issued at a price of \$0.30 per unit for a total of \$1,947,500. The Company incurred transaction costs of \$217,325 in fees and commissions and issued 649,167 broker share-purchase warrants (see Note 11(b)(VI)).

Conversion of Debt

Also concurrent with the closing of the Transaction, the Company issued 6,093,000 common shares and 1,305,000 common share-purchase warrants to holders of SES convertible debt on conversion and extinguishment of the convertible debt (see Notes 11 and 9).

Name change

At a shareholder meeting held on July 30, 2012, the shareholders of Whiteknight voted to change the name of Whiteknight to “Smart Employee Benefits Inc.”.

Accounting

Although the transaction resulted in SES becoming a wholly-owned subsidiary of Whiteknight, the transaction constitutes a reverse takeover of Whiteknight and has been accounted for as a reverse takeover transaction in accordance with guidance provided in IFRS 2 *Share-based Payment* and IFRS 3 *Business Combinations*. As Whiteknight did not qualify as a business according to the definition in IFRS 3, this reverse take-over transaction does not constitute a business combination; rather, it is treated as an issuance of shares by SES for the net monetary assets of Whiteknight, followed by a recapitalization of SES.

The net assets of Whiteknight received were as follows:

Cash	\$ 443,598
Less: accounts payable	<u>23,836</u>
Total Net assets acquired	419,762

Notional price paid for WKA shares	<u>1,276,000</u>
Resulting share adjustment expensed	<u>\$ 856,238</u>

Transaction costs incurred by the Company were expensed.

The outstanding common shares of Whiteknight issued prior to the RTO were assigned a value, deemed to be their fair value, being that equal to the average cost of all the shares issued in conjunction with the RTO, being the shares issued through the Concurrent Financing and the Conversion of Debt.

Smart Employee Benefits Inc.

Notes to Unaudited Condensed Interim Consolidated financial statements
September 30, 2012

5. Reverse take-over (“RTO”) transaction - continued

Further to the reverse take-over transaction, the unaudited condensed interim consolidated financial statements for the period ended September 30, 2012 reflect the assets, liabilities and results of operations of SES, the legal subsidiary, and Whiteknight (now renamed to SEB). The comparative statements of financial position at September 30, 2011 and the comparative statements of operations and cash flows for the period ended September 30, 2011 are those of SES, the legal subsidiary, prior to the RTO.

6. Developed software

The Company has engaged software development companies to develop computer software to be used by the Company to generate revenue. The Company will begin amortizing the software when it is ready to be used by the Company to generate revenue.

	Asset balance (\$)	Accumulated amortization (\$)	Net (\$)
March 31, 2012	-	-	-
Increases during the period	113,850		
Amortization during period		-	
June 30, 2012	113,850	-	113,850
Increases during the period	257,405		
Amortization during period		-	
September 30, 2012	371,255	-	371,255

Smart Employee Benefits Inc.

Notes to Unaudited Condensed Interim Consolidated financial statements
September 30, 2012

7. Equipment

	Cost (\$)			Accumulated Depreciation (\$)			Net
	Opening Balance	Additions		Opening Balance	Expense		
		during period	Closing Balance		during period	Closing Balance	
<i>For the period December 17, 2010 to September 30, 2011</i>							
Furniture and office equipment	-	5,000	5,000	-	250	250	
Computer equipment	-	20,000	20,000	-	1,500	1,500	
	-	25,000	25,000	-	1,750	1,750	23,250
<i>For the period October 1, 2011 to December 31, 2011</i>							
Furniture and office equipment	5,000	1,060	6,060	250	250	500	
Computer equipment	20,000	5,344	25,344	1,500	1,500	3,000	
	25,000	6,404	31,404	1,750	1,750	3,500	27,904
<i>For the period January 1, 2012 to March 31, 2012</i>							
Furniture and office equipment	6,060	683	6,743	500	248	748	
Computer equipment	25,344	-	25,344	3,000	1,500	4,500	
	31,404	683	32,086	3,500	1,748	5,248	26,838
<i>For the period April 1, 2012 to June 30, 2012</i>							
Furniture and office equipment	6,743	-	6,743	748	249	997	
Computer equipment	25,344	-	25,344	4,500	1,500	6,000	
	32,086	-	32,086	5,248	1,749	6,997	25,089
<i>For the period July 1, 2012 to September 30, 2012</i>							
Furniture and office equipment	6,743	-	6,743	997	249	1,246	
Computer equipment	25,344	7,160	32,504	6,000	1,500	7,500	
	32,087	7,160	39,247	6,997	1,749	8,746	30,501

8. Intangible Asset

The intangible asset consists of 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 (see Note 4).

For the Period	Cost (\$)			Accumulated Amortization (\$)			Net
	Opening Balance	Additions		Opening Balance	Expense		
		during period	Closing Balance		during period	Closing Balance	
<i>December 17, 2010 to September 30, 2011</i>	-	500,000	500,000	-	12,500	12,500	487,500
<i>October 1, 2011 to December 31, 2011</i>	500,000	-	500,000	12,500	12,500	25,000	475,000
<i>January 1, 2012 to March 31, 2012</i>	500,000	-	500,000	25,000	12,500	37,500	462,500
<i>April 1, 2012 to June 30, 2012</i>	500,000	-	500,000	37,500	12,500	50,000	450,000
<i>July 1, 2012 to September 30, 2012</i>	500,000	-	500,000	50,000	12,500	62,500	437,500

Smart Employee Benefits Inc.

Notes to Unaudited Condensed Interim Consolidated financial statements
September 30, 2012

9. Convertible Debt

SES issued \$1,305,000 in Convertible Term Notes Financing (“Notes”) between July and December, 2011. The Notes were Promissory Notes of the Company, secured by a General Security Agreement against the assets of the Company and by a personal guarantee of the Chief Executive Officer and President of the Company. The Notes were due at the earlier of the closing of the Transaction or July 25, 2012.

The Notes paid 8% interest. Interest of \$84,889 was accrued and recorded in accounts payable and accrued liabilities to July 11, 2012.

The Notes converted to shares of the Company at \$0.24 per share, a 20% discount to the share price of the Company used for the Transaction.

In addition, per the terms of the Notes, certain bonus amounts were granted to Note-holders as follows (the bonuses converted at the share price for the Transaction, being \$0.30 per share):

- Notes for which the funds were received prior to September 1, 2011 received a bonus payment of 7% of the principal amount
- Notes for which the funds were received between September 1, 2011 and December 31, 2011 received a Bonus payment of 3% of the principal amount
- All Note-holders received a bonus of 10% of the principal amount, as the Transaction did not close before February 28, 2012

	Conversion of Debt to Common Shares		
	Debt Amount	Conversion rate	Shares on conversion
Convertible debt principal amount	\$1,305,000	\$0.24	5,437,500
Bonus amount of 7% of principal amount received prior to September 1, 2011	47,250		
Bonus amount of 3% of principal amount received subsequent to September 1, 2011	18,900		
Bonus amount of 10% of principal amount due to Transaction occurring after February 28, 2012	130,500		
Total bonuses converted to shares	196,650	\$0.30	655,500
Total debt converted to shares	\$1,501,650		6,093,000

The Note-holders on conversion of the Notes also received a warrant for each one dollar of Note value to purchase one share of the Company post the Transaction, at an exercise price of \$0.30 until May 31, 2014 (see Note 11).

Bonus payments were accreted at their effective interest rate over the term of the Notes and were accounted for in accounts payable and accrued liabilities.

Smart Employee Benefits Inc.

Notes to Unaudited Condensed Interim Consolidated financial statements
September 30, 2012

9. Convertible Debt – continued

In arriving at a fair value of the liability component of the convertible notes, the Company has used a discount rate of 27.5% to determine a discounted present value of the debt due on conversion.

The equity component of \$49,191 at September 30, 2012, June 30, 2012, March 31, 2012 and December 31, 2011 (\$44,902 at September 30, 2011), 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 was charged against earnings as accreted interest using the effective interest rate method.

	Amount \$					
	Face Value of Notes	Equity Component	Debt Issue Costs	Liability Component at Fair Value	Accreted Interest	Balance of Obligation
Balance September 30, 2011	1,050,000	(44,902)	(96,250)	908,848	11,043	919,891
October 1, 2011 to December 31, 2011	255,000	(4,289)	(14,000)	236,711	71,748	308,459
Balance December 31, 2011	1,305,000	(49,191)	(110,250)	1,145,559	82,791	1,228,350
January 1, 2012 to March 31, 2012	-	-	-	-	56,537	56,537
Balance March 31, 2012	1,305,000	(49,191)	(110,250)	1,145,559	139,328	1,284,887
April 1, 2012 to June 30, 2012	-	-	-	-	20,113	20,113
Balance June 30, 2012	1,305,000	(49,191)	(110,250)	1,145,559	159,441	1,305,000
Conversion of Notes to common shares July 11, 2012 (Note 11)						(1,305,000)
Balance September 30, 2012						-

Funds in trust amounting to \$400,000 at September 30, 2011 represent the proceeds from the issue of Notes which remained in the solicitor's trust account at the period end. Those funds were subsequently released to the Company.

10. Due to Shareholders

The funds were advanced by individuals who were founding shareholders of subsidiaries of the Company; the advances have no set terms of repayment and do not bear interest.

Smart Employee Benefits Inc.

Notes to Unaudited Condensed Interim Consolidated financial statements
September 30, 2012

11. Share Capital

(a) Authorized

Unlimited number of common shares

(b) Common shares issued and outstanding

	Number of shares	Amount \$
Original Whiteknight share capital		
Shares issued by Whiteknight for cash January 19, 2011 (I)	2,800,000	280,000
Shares issued by Whiteknight pursuant to IPO April 23, 2011 (II)	<u>3,000,000</u>	<u>600,000</u>
Total	5,800,000	880,000
Original SES share capital (III)	3,000,001	36,500
RTO transaction		
Elimination of existing share capital	(3,000,001)	(880,000)
Value of notionally issuing 5,800,000 Whiteknight shares at the fair value, being the average price for shares issued in the RTO transaction	-	1,276,000
Issue of shares by Whiteknight in exchange for 100% of shares of SES (IV)	30,000,010	-
Issue of shares pursuant to conversion of SES Notes (V)	6,093,000	1,501,650
Issue of shares pursuant to Concurrent Financing (VI)	6,491,667	1,947,500
Issue of warrants attached to Concurrent Financing	-	(519,333)
Issue of warrants on conversion of debt	-	(195,750)
Balance September 30, 2012	<u>48,384,677</u>	<u>4,046,567</u>

- I. These shares are the original shares issued for cash to the founders of Whiteknight. The shares are subject to an Escrow Agreement pursuant to policies of the Exchange. Under the terms of the Escrow Agreement, below is the schedule of release dates for the shares in escrow. These shares are notionally valued at \$0.22 per share, being the average cost of all shares issued in conjunction with the Transaction, after deducting the value ascribed to the warrants issued with the shares.
- II. On April 23, 2011, Whiteknight completed its initial public offering via the issuance of 3,000,000 common shares at a price of \$0.20 per common share for gross proceeds of \$600,000. 15,000 of these common shares are held in escrow subject to the same terms as noted in note 11(b)(I).

Smart Employee Benefits Inc.

Notes to Unaudited Condensed Interim Consolidated financial statements
September 30, 2012

11. Share Capital - continued

(c) Common shares issued and outstanding - continued

- III. The amount paid in cash for the original share issue of SES was \$36,500. The 3,000,001 shares of SES have been eliminated as part of the accounting for the Transaction, after being exchanged for the 30,000,010 shares of Whiteknight.
- IV. On July 11, 2012, Whiteknight issued 30,000,010 shares in exchange for all of the 3,000,001 shares of SES (see Note 5). As part of the accounting for the Transaction, no value is assigned to those shares. These shares are held in escrow, subject to an Escrow Agreement pursuant to policies of the Exchange. Under the terms of the Escrow Agreement, below is the schedule of release dates for the shares in escrow.
- V. On July 11, 2012, Whiteknight exchanged 6,093,000 shares for SES Convertible Notes (see Notes 5 and 9). Pursuant to the same terms as in Note 11 (b)(IV) above, 206,996 shares were placed into escrow
- VI. On July 11, 2012, Whiteknight completed a Concurrent Financing by the issuance of 6,491,667 shares (see Note 5). Pursuant to the same terms as in Note 11 (b)(IV) above, 2,391,667 shares were placed into escrow.

Schedule of Release of Shares from Escrow:

	Note (above)					
	I	II	IV	V	VI	Total
July 19, 2012	280,000	1,500	1,500,001	10,350	119,583	1,911,434
January 19, 2013	420,000	2,250	1,500,001	10,350	119,583	2,052,184
July 19, 2013	420,000	2,250	3,000,001	20,700	239,167	3,682,117
January 19, 2014	420,000	2,250	3,000,001	20,700	239,167	3,682,117
July 19, 2014	420,000	2,250	4,500,002	31,049	358,750	5,312,051
January 19, 2015	420,000	2,250	4,500,002	31,049	358,750	5,312,051
July 19, 2015	420,000	2,250	12,000,004	82,798	956,667	13,461,719
	2,800,000	15,000	30,000,010	206,996	2,391,667	35,413,673

Smart Employee Benefits Inc.

Notes to Unaudited Condensed Interim Consolidated financial statements
September 30, 2012

11. Share Capital - continued

(c) Share purchase warrants

	Exercise Price	Expiry	Number of Warrants Outstanding					
			Sep 30, 2011 Outstanding	Activity During Period			September 30, 2012 Outstanding	Exercisable
(i)	\$ 0.30	May 31, 2014	-	1,305,000	-	-	1,305,000	1,305,000
(ii)	\$ 0.30	May 31, 2014	-	1,695,000	-	-	1,695,000	654,750
	(\$0.45 to July 11, 2013)							
(iii)	(\$0.55 to July 11, 2014)	July 11, 2015	-	6,491,667	-	-	6,491,667	4,219,583
	(\$0.65 to July 11, 2015)							
			-	9,491,667	-	-	9,491,667	6,179,333
	Weighted average exercise price per share		-	\$ 0.54	-	-	\$ 0.54	\$ 0.54

- i. On July 11, 2012, Whiteknight issued 1,305,000 share purchase warrants per the terms of the conversion of SES convertible term notes (see Note 9), on completion of Whiteknight's Qualifying Transaction (see Note 5). Each warrant may be exchanged for one common share until May 31, 2014 at a price of \$0.30 per share. All warrants vested immediately, subject to a regulatory hold period of four-months following the issue date; 45,000 warrants were placed in escrow as per below. The share purchase warrants were valued at \$195,750 using the Black-Scholes option-pricing model with the following assumptions: expected life of 23 months, risk-free rate of 0.96%, expected dividend yield of 0% and expected volatility of 100%.
- ii. On July 11, 2012, 1,695,000 share purchase warrants were issued to employees and consultants of SES, on completion of Whiteknight's Qualifying Transaction (see Note 5). Each warrant may be exchanged for one common share until May 31, 2014 at a price of \$0.30 per share. All warrants vested immediately, however, 1,095,000 warrants were escrowed as per below. The share purchase warrants were valued using the Black-Scholes option-pricing model with the following assumptions: expected life of 23 months, risk-free rate of 0.96%, expected dividend yield of 0% and expected volatility of 100%. These warrants are deemed to be issued as part of the Company's employee option plan (see Note 11(d)).
- iii. On July 11, 2012, 6,491,667 share purchase warrants were issued as part of a financing executed concurrent to the closing of the Transaction (see Notes 5 and 11(b)). Each warrant may be exchanged for one common share until July 11, 2015 at a price of \$0.45 per share until July 11, 2013, \$0.55 per share until July 11, 2014 and \$0.65 per share until July 11, 2015. All warrants vested immediately; however, 2,391,667 warrants were escrowed as per below. The share purchase warrants were valued at \$519,333 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%.

Smart Employee Benefits Inc.

Notes to Unaudited Condensed Interim Consolidated financial statements
September 30, 2012

11. Share Capital - continued

(c) Share purchase warrants - continued

Schedule of Release of warrants from escrow

	Note (see above)			Total
	i	ii	iii	
July 19, 2012	2,250	54,750	119,583	176,583
January 19, 2013	2,250	54,750	119,583	176,583
July 19, 2013	4,500	109,500	239,167	353,167
January 19, 2014	4,500	109,500	239,167	353,167
July 19, 2014	6,750	164,250	358,750	529,750
January 19, 2015	6,750	164,250	358,750	529,750
July 19, 2015	18,000	438,000	956,667	1,412,667
Total	45,000	1,095,000	2,391,667	3,531,667

(d) Share purchase options

Upon completion of the RTO, the Company continued the Whiteknight stock option plan (the "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 is 4,838,467. At September 30, 2012, the Company had 1,330,000 options issued and outstanding under the terms of the Plan. In addition, 1,695,000 share purchase warrants are considered to be part of the Plan.

Exercise Price	Expiry	Number of Options Outstanding					
		Sep 30, 2011 Outstanding	Activity During Period			September 30, 2012	
			Issued	Expired	Exercised	Outstanding	Exercisable
(a) \$ 0.20	April 23, 2013	300,000	-	-	-	300,000	300,000
(b) \$ 0.20	July 30, 2013	493,000	-	-	-	493,000	493,000
(b) \$ 0.20	April 5, 2016	87,000	-	-	-	87,000	87,000
(c) \$ 0.30	July 11, 2014	-	649,166	-	-	649,166	649,166
(d) \$ 0.33	August 16, 2015	-	500,000	-	-	500,000	100,000
(e) \$ 0.34	May 31, 2014	-	50,000	-	-	50,000	-
(f) \$ 0.34	Sep 13, 2015	-	200,000	-	-	200,000	-
		880,000	1,399,166	-	-	2,279,166	1,629,166
Weighted average exercise price		\$ 0.20	\$ 0.32	-	-	\$ 0.27	\$ 0.25

Smart Employee Benefits Inc.

Notes to Unaudited Condensed Interim Consolidated financial statements
September 30, 2012

11. Share Capital - continued

(d) Share purchase options - continued

- a) In connection with an IPO closed on April 23, 2011, Whiteknight granted the agents of the offering the option to acquire 300,000 common shares at a price of \$0.20 per share for a period of 24 months following the IPO.
- b) On April 7, 2011, the directors of Whiteknight were granted an aggregate of 580,000 options exercisable for 5 years from the date of issue at an exercise price of \$0.20 per share. Per the terms of the options grant, the options must be exercised within one year of the grantee ceasing to be an officer or director of the Company. On July 30, 2012, all but one of the grantees ceased to be an officer or director; therefore 493,000 of the 580,000 options now expire July 30, 2013; the remaining 87,000 options expire April 7, 2016. The options are subject to escrow and are to be released from escrow according to the timetable below:

Release Date	Release
July 19, 2012	58,000
January 19, 2013	87,000
July 19, 2013	87,000
January 19, 2014	87,000
July 19, 2014	87,000
January 19, 2015	87,000
July 19, 2015	87,000
Total	580,000

- c) In connection with the Concurrent Financing (see Notes 5 and 11(a)) on July 11, 2012, Whiteknight granted the agents of the Concurrent Financing the option to acquire 649,166 common shares at a price of \$0.30 per share for a period of 24 months following the close of the Concurrent Financing. The agent options were valued at \$103,687 using the Black-Scholes option-pricing model using the following assumptions: expected life of two years, risk free rate of 0.96%, expected dividend yield of 0% and expected volatility of 100%.

Smart Employee Benefits Inc.

Notes to Unaudited Condensed Interim Consolidated financial statements
September 30, 2012

11. Share Capital - continued

(d) Share purchase options - continued

- d) On August 16, 2012, the independent directors of the Company were granted an aggregate of 500,000 options exercisable for 5 years from the date of issue at an exercise price of \$0.30 per share. The stock options were valued at \$100,000 using the Black-Scholes option-pricing model with the following assumptions: expected life of five years, risk free rate of 1.00%, expected dividend yield of 0%, and expected volatility of 100%. The options vest as follows: 100,000 on date of issue; 100,000 February 16, 2013; 100,000 August 16, 2013; 100,000 February 16, 2014; 100,000 August 16, 2014.

- e) On September 13, 2012, the Company granted 50,000 options exercisable until May 31, 2014 at an exercise price of \$0.34 per share. The options vest as follows: 25,000 December 13, 2012 and 25,000 on March 13, 2013. The stock options were valued at \$8,000 using the Black-Scholes option-pricing model with the following assumptions: expected life of 20 months, risk free rate of 1.16%, expected dividend yield of 0%, and expected volatility of 100%.

- f) On September 13, 2012, the Company granted 200,000 options exercisable until September 13, 2015 at an exercise price of \$0.34 per share. The options vest as follows: 40,000 December 13, 2012; 40,000 on March 13, 2013; 40,000 September 13, 2013; 40,000 on March 13, 2014; and 40,000 September 13, 2014. The stock options were valued at \$42,000 using the Black-Scholes option-pricing model with the following assumptions: expected life of three years, risk free rate of 1.16%, expected dividend yield of 0%, and expected volatility of 100%.

(e) Loss per Share

The weighted average number of common shares outstanding for the three months ending September 30, 2012 was 41,201,737 and for the period from October 1, 2011 to September 30, 2012 was 32,792,772 (30,000,010 for the period December 17, 2010 to September 30, 2011).

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

Smart Employee Benefits Inc.

Notes to Unaudited Condensed Interim Consolidated financial statements
September 30, 2012

12. Financial Instruments

Fair Values

The Company's financial instruments consist of cash, funds in trust, sundry receivables, accounts payable and accrued liabilities, convertible debt, obligation to related parties and due to shareholder. 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.

Carrying value and fair value of financial assets and liabilities are summarized as follows:

Classification	September 30, 2012 (unaudited)		September 30, 2011	
	Carrying Value \$	Fair Value \$	Carrying Value \$	Fair Value \$
Fair value through profit and loss	234,016	234,016	362,557	362,557
Loans and receivables	226,648	226,648	436,782	436,782
Other financial liabilities	533,593	533,593	1,738,296	1,738,296

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. 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 as the Company has no interest-bearing debt outstanding as at September 30, 2012.

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 foreign exchange or price risk.

Smart Employee Benefits Inc.

Notes to Unaudited Condensed Interim Consolidated financial statements
September 30, 2012

13. Capital Management

The Company's capital currently consists of share capital in the amount of \$4,046,567 at September 30, 2012 (\$976,391 at September 30, 2011 consisting of share capital and convertible debt). 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.

14. Related Party Transactions

Bevertec CST Inc.

Bevertec is a related party to the Company by virtue of holding approximately 21% of the common shares of the Company. A Director of the Company is also an officer and director of Bevertec. In addition, \$43,170 of the \$57,937 in revenue recorded by the Company in these unaudited condensed interim consolidated financial statements was derived from transactions with Bevertec (\$170,003 of the \$227,743 in revenue for the YTD period ended September 30, 2012).

Obligation to Related Party

Amounts payable to Bevertec are as follows:

Payment due on earlier of the closing of a Listing Transaction or July 22, 2012 relating to a software licencing agreement as described in Note 4	\$	500,000
Payment due on earlier of the closing of a Listing Transaction or July 22, 2012 relating to \$25,000 for equipment such as computers, etc. and \$225,000 repayment for costs incurred as early-stage funding for start-up.		250,000
Fair value adjustment on related party loan		(122,533)
Fair value of obligation on date of signing of license agreement		627,467
<u>Interest accreted during the period ending September 30, 2011</u>		<u>29,929</u>
Balance of obligation as reported September 30, 2011		657,397
<u>Interest accreted October 1, 2011 to December 31, 2011</u>		<u>41,230</u>
Balance of obligation as reported December 31, 2011		698,627
<u>Interest accreted January 1, 2012 to March 31, 2012</u>		<u>51,373</u>
Balance of obligation March 31, 2012 and June 30, 2012		750,000
<u>Payment of obligation</u>		<u>(750,000)</u>
Balance of obligation September 30, 2012	\$	-

Smart Employee Benefits Inc.

Notes to Unaudited Condensed Interim Consolidated financial statements
September 30, 2012

14. Related Party Transactions - continued

In arriving at a fair value of the obligation to related party, the Company used a discount rate of 27.5% to determine a discounted present value.

The fair value adjustment of \$122,533, arising from the difference between the coupon and effective interest rates, was recorded in the statement of comprehensive loss in the period ended September 30, 2011. The amount of the fair value adjustment was charged against earnings as accreted interest using the effective interest rate method.

Other

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 July 1, 2012 to September 30, 2012 totalling \$97,500 and \$390,000 during the period October 1, 2011 to September 30, 2012 (\$225,000 during the period ended September 30, 2011). The President, Chief Executive Officer and Chief Information Officer is also a director of the Company.

15. Net Change in Non-cash Working Capital items

	<i>October 1, 2011 to September 30, 2012 (unaudited)</i>	<i>July 1, 2012 to September 30, 2012 (unaudited)</i>	<i>December 17, 2010 to September 30, 2011</i>
Sundry receivables	\$ (189,866)	\$ (135,196)	\$ (36,782)
Prepaid and deposits	(16,667)	-	-
Accounts payable and accrued liabilities	406,905	(107,628)	74,252
Related party	-	-	225,000
Total	\$ 200,372	\$ (242,824)	\$ 262,470

16. Commitments

The Company has entered into a lease agreement for its premises with estimated annual payments as follows:

Fiscal 2012 October and November	\$ 16,666
Fiscal 2013	33,333
Thereafter	-
Total	<u>\$ 49,999</u>