SMART EMPLOYEE BENEFITS INC

www.seb-inc.com

Management Discussion and Analysis

For the quarter ended February 29, 2016

Contents

Management Discussion and Analysis of Financial Statements

This Management Discussion and Analysis ("MD&A") of Smart Employee Benefits Inc. (the "Company" or "SEB") covers the quarterly consolidated financial statements and events during and subsequent to the three months ended February 29, 2016 up to the date of this report April 29, 2016. This MD&A should be read in conjunction with the interim consolidated financial statements and the accompanying notes for the three months ended February 29, 2016 and February 28, 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. Forward-looking statements include, but are not limited to, statements made under the headings "Company Overview" and "Risks and Uncertainties" and other statements concerning the Company's 2016 objectives, strategies to achieve those objectives, as well as statements with respect to management's beliefs, plans, estimates, and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. 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. Refer to the detailed discussion of Risk Factors included in this document. 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 analysis, expectations or statements made by third parties in respect of SEB, its financial or operating results, or its securities**.**

Non-IFRS Financial Measures

This MD&A makes reference to certain non-IFRS measures. These non-IFRS measures are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS, and are therefore unlikely to be comparable to similar measures presented by other companies. These measures are provided as additional information to complement those IFRS measures by providing further understanding of the Company's results of operations from Management's perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of the Company's financial information reported under IFRS. Management uses non-IFRS measures such as EBITDA, and Adjusted EBITDA (which are defined under the Definitions section of this report) to provide investors with a supplemental measure of the Company's operating performance and thus highlight trends in the Company's core business that may not otherwise be apparent when relying solely on IFRS financial measures. Management also believes that securities analysts, investors and other interested parties frequently use non-IFRS measures in the evaluation of issuers. Management also uses non-IFRS measures in order to facilitate operating performance comparisons from period to period, prepare quarterly operating budgets, and to assess its ability to meet future debt service, capital expenditures, and working capital requirements.

Company Overview

SEB is a technology company which builds, implements and manages fully-integrated data processing solutions. The Company offers game changing technology based solutions across multiple industry sectors including government, health care, financial services, resource/energy and industrial/commercial.

SEB's strategic vision is to become a major force in the processing and administration of health care benefit transactions for privately and publicly funded plans. The Canadian target 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.

Smart Employee Benefits Inc.'s global infrastructure is comprised of a corporate office and two operating divisions: Technology and Benefits. The Technology Division currently serves corporate and government clients across Canada and internationally. It also extends its infrastructure, expertise and services to the Benefits Division which delivers Software as a Service ("SaaS") and Business Process Outsourcing ("BPO") solutions to both corporate and government funded health benefit environments. The Technology Division is a critical competitive advantage in supporting the implementation and operation of SEB's benefits processing solutions. The combination of the two operating divisions allows SEB to provide end-to-end total processing solutions, all managed in one technology environment.

SEB's core benefits technology solutions automate health benefits processing. It ties the administration and processing of all benefit types into one environment and integrates seamlessly with all legacy client systems to allow real-time, self-serve access of data. These modular solutions can either operate as an integrated environment or on a standalone basis.

SEB's solutions and expertise fall into six categories:

1. Health Benefits Administration and Claims Processing – Modular, fully integrated, end-to-end Administration/Adjudication/Payments/Billing/Reporting software platform provided on a SaaS or BPO model. SEB issues its own benefit cards.

2. Health & Wellness Integrated Platform – The platform focus is on education and prevention. Modules include Content Library, Personal Health Assessment, Education Modules, over 80 applications for managing health initiatives, Personalized report card and action initiative, integrated reward platform, integrated organization health assessments, prevention/intervention programs, real time reports, personal health records, etc.

3. Disability Management Platform – The platform automates the management of disability cases. Modules include Benefits & Disability Portal, Absence Management, Audit Workflow, and Case Management. The modules are implemented within a best practices environment.

4. Predictive Analytics and Fraud – Analysis of historical big data using algorithms facilitate the creation of fraud identification rules which are incorporated in real-time adjudication environments and may assist in pricing.

5. Enterprise Service Bus ("ESB") – Business Process Data Management Module for tying legacy data systems to new technology solutions, automating access to historic data.

6. Technology Infrastructure and Expertise – Extensive data management expertise including data centers, PCI certified security, systems integration, business intelligence, software development, CRM, BizTalk, PeopleSoft, BPO, ITIL, Professional Services, Hosting, Project Management, etc. This infrastructure and expertise make everything work as an integrated solution.

Accomplished Milestones

Since inception, SEB has enhanced its proprietary health benefit claims adjudication and administration software and acquired successful companies which support SEB's processing technology and/or provide sales channels through existing vendor relationships, project references and complementary health services. The following is a timeline of accomplished milestones:

- 2011—Purchased the most advanced health claims adjudication technology available, and began enhancing the adjudication component and developing the administration segment.
- 2012—Through a reverse takeover, became listed on the Toronto Venture Exchange enabling access to broader finance.
- 2013—Acquired Logitek Technology Ltd. ("Logitek"), Somos Consulting Group Ltd. ("SOMOS"), and 50% of Inforica Inc. ("Inforica"), technology companies which provide the Benefits Division with both the necessary infrastructure, and sales channels.
- 2014—Acquired technology companies APS-Antian Professional Services Inc. ("Antian") and Stroma Service Consulting Inc. ("Stroma") and health/benefits companies Adeeva Nutritionals Canada Inc. ("Adeeva"), 75% of Meschino Health and Wellness Corporation ("Meschino") and 50% of Banyan Work Health Solutions Inc. ("Banyan").
- 2015—Acquired 50% of health consulting company SEB Benefits and HR Consulting Inc. ("SEBCON"); through Banyan, acquired 50% of Polon Analytics Inc.; sold the non-core Electronic Data Interchange ("EDI") business of Logitek; acquired technology company Paradigm Consulting Group Inc. ("Paradigm").
- 2016--Acquired Maplesoft Group Inc. ("Maplesoft").

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 Requests for Proposals ("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.

Acquisitions and investments in associate companies are made with the goal of obtaining positive cash flows which are expected to contribute to the operating results of the Company, partially based on restructurings and other initiatives Management has executed. The Company continues to acquire companies which it believes will enhance the earnings capability of the Company. However, there are no assurances that Management will be successful in achieving this goal.

Currently, the Company is engaged in raising debt financing with the intent of using the funds to retire debt assumed as a result of the acquisition of Maplesoft in December, 2015 (see Notes 4 and 14 of the consolidated financial statements), consolidate remaining debt and provide an acquisition facility for future expansion. Management of the Company has to date been successful in raising capital through equity and debt offerings. However, there is no assurance that the Company will continue to be successful in the future.

Company Developments During and Subsequent to three months ended February 29, 2016

Financial Discussion

Consolidated Statements of Income (Loss) for the quarters ended February 29, 2016 and February 28, 2015

	Three months ended February 29/28		
	2016	***2015***	***Change***
Revenue	**$ 23,367,818**	**$ 11,281,580**	**$ 12,086,238**
Cost of revenues	19,146,109	8,561,467	(10,584,642)
Gross Margin	**4,221,709**	**2,720,113**	**1,501,596**
	18%	24%	-6%
Operating Costs	3,595,309	2,081,931	(1,513,378)
Professional fees	449,126	118,078	(331,048)
Share based compensation	26,601	157,837	131,236
Equity pick-up from associate	150,797	-	(150,797)
Adjusted EBITDA	**(124)**	**362,267**	**(362,391)**
Gain on sale of a portion of business	-	1,200,000	(1,200,000)
Transaction costs	317,727	-	(317,727)
EBITDA	**(317,851)**	**1,562,267**	**(1,880,118)**
Net Income (Loss)	**$ (2,376,861)**	**$ 454,945**	**$ (2,831,806)**

Revenue

Since its inception in 2011, Smart Employee Benefits has pursued an acquisition based strategy which has led to dynamic growth. During Q1, 2016, the Company further expanded the professional service base within its Technology Division with the acquisition of Maplesoft which contributed to the increase of consolidated revenues from prior year Q1 by $13,419,120.

Paradigm, which was acquired during Q1, 2015, recognized a full quarter of revenue as compared to two months, as it did in 2015. Paradigm's results contributed $1,421,176 to the consolidated revenue increase over Q1, 2015 of $12,086,238. These increases were offset by a change in accounting for Banyan. Banyan's Q1, 2015 revenues were $2,002,833. Beginning fiscal 2016, Banyan's results are no longer consolidated into the financial statements of SEB. Details of Banyan's financial information is reported later in this report under the operations discussion of the Benefits Division. [SEB has reflected 50% of Banyan's results under the "Equity income from associate investments" line on the Consolidated Statements of Comprehensive Income (Loss).]

The Company noted in a news release dated January 20, 2016 that it expected to have a trailing Proforma revenue of $102.9m for 2015. This was based on the assumptions that SEB would report approximately $50.0m for 2015 without Maplesoft and with Paradigm reporting 11 months (actual results for the fiscal year 2015 were $50.3m of which the Technology Division accounted for 81%). If the extra month for Paradigm was added, and Maplesoft's revenues were consolidated, the total would have been approximately $103.0m, hence the Proforma descriptor applied to the number.

The news release also mentioned that in 2016 the Technology Division was expected to generate $100.0m revenue. This was based on the inclusion of Paradigm's full year results, and the consolidation of Maplesoft. The Technology Division first quarter results were lower than budgeted for Q1, 2016 ($23.0m compared to $25.2m) due to resource underutilization within one of the subsidiaries. The benched resources have now been deployed into revenue generating streams, and it is anticipated that Q2, 2016 will be on budget, and the Q1 shortfall will be made up during the remainder of the year.

Gross margin

The Company's gross margin ("GM") for Q1, 2016 was $4,221,709. This is $1,501,596 higher than the previous year even though Banyan's GM of $464,634 was included in the comparative figure in Q1, 2015. This increase was due in part to Maplesoft's contribution and the additional month of Paradigm's results.

Gross margin % ("GM %") for Q1, 2016 was 18% of revenues, a decrease of 6% from the prior year. The margin decrease can be attributable to two factors: the exclusion of Banyan results (Banyan's GM % for Q1, 2015 was 23%) and the growing professional services base which has a lower margin. In Q1, 2016, professional services comprised 91% of the revenue in the Technology Division, as compared to 64% in Q1, 2015.

Operating costs

Operating costs, which are comprised of salaries and other compensation costs, and office and general expenses, increased Q1/Q1 by $1,513,378. Maplesoft made up $1,093,738 of this difference, corporate office added $450,794 to this variance and the inclusion of an additional month of Paradigm's operating costs added $113,347.

Professional fees

Professional fees are comprised of accounting and legal expenses excluding those categorized as transaction costs. In Q1, 2016 SEB expensed $331,048 more than Q1, 2015. This increase reflects the additional costs associated with the increased volume and complexity of acquisitions, as well as the added costs of audit and review to meet the requirements of both the TSX-V and the financing agreements.

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.

Equity pick up from associates

During fiscal 2016, the Company changed the accounting of Banyan's results from consolidation to equity method. As a result, it recorded 50% of Banyan's net loss and comprehensive loss. This amount includes $181,458 of expenses which would have been previously recorded under the EBITDA line (i.e. interest, taxes, depreciation and amortization).

Gain on sale of business

The sale of Logitek's EDI business added $1,200,000 to the EBITDA of the Company in prior year's first quarter. There were no dispositions during Q1, 2016.

Transaction costs

Transaction costs are one-time expenses associated with acquisitions, integrations and listing costs. During Q1, 2016 the Company recorded $317,727 ($nil in Q1, 2015) of expenses. These primarily related to the Maplesoft acquisition

Net income (loss)

For the quarter ending February 29, 2016, the Company recorded a net loss of $2,376,861 compared to net income of $454,945 in Q1, 2015. Of the $2,831,806 difference, $1,686,140 was within the Technology Division of which $1,200,000 can be attributed to the inclusion of the gain on sale of the EDI business in the prior year and the remainder the result of intangible amortization related to the Maplesoft and Paradigm acquisitions. The Benefit Division made up $585,274 of the difference, primarily as a result of the $247,279 decrease in net income recorded for Banyan and continued investment in software development. The Corporate Division contributed $560,393 to the increase. This was composed of professional fees associated with growth and complexity of the organization and interest expense.

Consolidated Statements of Financial Position for the quarters ended February 29, 2016 and February 28, 2015

	Feb 29, 2016	*Feb 28, 2015*	*Change from 2015*
Cash and cash equivalents	$ 1,210,273	$ 3,232,971	$ (2,022,698)
Accounts receivable	22,973,836	10,721,191	12,252,645
Other current assets	1,067,544	2,320,155	(1,252,611)
Due from related party	-	-	-
Investments in associates	2,607,180	68,477	2,538,703
Long term deposits	194,148	275,352	(81,204)
Equipment	892,416	1,005,373	(112,957)
Intangible assets	32,304,129	21,833,783	10,470,346
Total Assets	**$ 61,249,526**	**$ 39,457,302**	**$ 21,792,224**
Bank loan	$ 13,884,837	$ 1,391,300	$ 12,493,537
Accounts payable, current taxes and accrued liabilities	15,827,220	7,122,179	8,705,041
Deferred revenue	642,597	553,654	88,943
Notes Payable	11,230,028	9,270,211	1,959,817
Equipment leases and loans	16,874	53,423	(36,549)
Convertible debt	5,587,837	5,046,520	541,317
Contingent consideration payable	4,778,592	3,248,618	1,529,974
Deferred income taxes	1,890,334	836,003	1,054,331
Preferred shares	350,000	350,000	-
Total Liabilities	**$ 54,208,319**	**$ 27,871,908**	**$ 26,336,411**
Share capital, warrants, options, associated costs and contriubuted surplus	31,707,918	26,102,593	5,605,325
Deficit	(24,005,625)	(15,097,522)	(8,908,103)
Total Shareholders' Equity	**$ 7,702,293**	**$ 11,005,071**	**$ (3,302,778)**
Non-controlling interest in subsidiaries	**$ (661,086)**	**$ 580,323**	**$ (1,241,409)**
Total Liabilities and Shareholders' Equity	**$ 61,249,526**	**$ 39,457,302**	**$ 21,792,224**

Cash and cash equivalents
The decrease in cash of $2,022,698 over prior year can be attributed to the payment of former Paradigm shareholders for the acquisition of Paradigm and the deconsolidation of Banyan which had $1,323,362 of cash and cash equivalents at February 28, 2015. A more detailed discussion of cash flow can be found later in this report.

Accounts receivable
The accounts receivable balance at February 29, 2016 was $22,973,836, an increase of $12,252,645 since February 28, 2015. The change is the result of inclusion of Maplesoft's receivables of $12,276,566,

offset by the exclusion of Banyan who had an AR balance of $488,407 at February 28, 2015, and growth in the accounts receivable balance of Inforica.

Due to the nature of SEB's typical client (i.e. government or large corporation), less than 2% of the balance is over 90 days. A provision for uncollectible accounts has been put in place for any amounts in dispute or where collectability is questionable.

Other current assets

Other current assets are comprised of funds held in trust, inventory and deposits. $1,500,000 of the decrease in other current assets is attributable to a reduction of trust funds used for the Paradigm acquisition.

Investment in associates

Investment in associates reflects the amount invested in non-consolidated enterprises. The increase of $2,538,703 from first quarter prior year primarily reflects the deconsolidation of the Banyan entity.

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. In accordance with the tenancy agreement, a portion of the rent payable in Q4, 2015 was deducted from the deposit, hence the reduction of $81,204 from the previous year's first quarter.

Equipment

Equipment is comprised of the depreciated value of furniture, computer hardware and computer hardware under capital lease. The Q1, 2016 balance decreased by $112,957 from Q1, 2015 as a result of the depreciation expense of all the entities offset by equipment added through the Maplesoft acquisition.

Intangible assets

Prior to February 29, 2016 the Company acquired control of nine companies (Logitek, SOMOS, Inforica, Antian, Adeeva, Stroma, Paradigm, SEBCON and Maplesoft). 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 relationships, trade names and goodwill. A valuator is contracted subsequent to material acquisition transactions to allocate the value of intangible assets and to annually test for impairment in the value.

The valuation work for Maplesoft is currently in progress, however, Management has used preliminary information to establish intangible values. At February 29, 2016, the Statement of Financial Position has $5,000,000 of customer relationships, $3,000,000 of tradenames, and $8,303,580 of goodwill pertaining to the Maplesoft acquisition.

Bank loan

At February 29, 2016, the consolidated bank debt was $13,884,837, which is an increase of $12,493,537 over Q1, 2015. The increase was primarily attributable to debt assumption in the Maplesoft acquisition and financing of the Paradigm acquisition. Maplesoft bank debt at Q1, 2016 is $6,775,546.

During 2015, the Company obtained new credit facilities on behalf of Paradigm Consulting Group and replaced the existing credit arrangement of SOMOS, Logitek and Stroma. The Company calculated that it was in default with regard to the current ratio covenant of the SOMOS facility as at November 30, 2015. As at the date of issue of the MD&A, the Company has not obtained a waiver of the default. The Company has calculated that it may also be in default with regard to the Debt to Equity covenant of the Paradigm facility. As a precaution the Company has re-classified the non-current portion of the

Paradigm term loan to the current portion of the term loan.

Accounts payable, current taxes and accrued liabilities
Accounts payable, taxes and accrued increased over Q1 prior year by $8,705,041, 87% arising from the consolidation of Maplesoft.

Deferred revenue
Deferred revenue is the amount of licensing fees and consulting service revenue paid in advance of services being rendered. While sales have increased, and deferred revenue increased by $88,943 over the prior year, they are a lower percentage of sales due to Logitek's renegotiation of supplier terms which increased the overall revenue stream, but decreased the upfront payment.

Notes Payable
Notes payable increased by $1,959,817. At February 29, 2016 notes payable primarily related to the assumption of Maplesoft debt and associated financing (details are available under Liquidity Risk), while at February 28, 2015, notes payable pertained to the Paradigm acquisition and financing.

Equipment leases and loans
Both equipment leases and loans have decreased over prior year by a total of $36,549, representing payments on existing leases/loans. No new equipment leases or loans were entered into.

Convertible debt

The net increase in convertible debt over the last 12 months of $541,317 reflects interest accretion. Interest accretion, a non-cash expense, for Q1, 2016 was $189,504 ($194,512 in Q1, 2015).

Contingent consideration payable
Contingent consideration payable is discounted liabilities to vendors of acquired companies related to future performance. SEB has recorded contingent consideration liabilities for Adeeva, Inforica, Paradigm, Banyan and Maplesoft. Total contingent liabilities increased from February 28, 2015 by $1,529,974. Maplesoft acquisition costs included $2,300,000 contingent payments, which was offset by a change in discount factor in the existing liabilities calculated during Q4, 2015.

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 fiscal 2015 to reflect the final valuations of both Paradigm and Banyan and the sale of Logitek's EDI business. Deferred tax impact on the Maplesoft acquisition has yet to be finalized.

Consolidated Statements of Cash flows for the quarters ended February 29, 2016 and February 28, 2015

	Three months ended February 29/28		
	2016	***2015***	***Change***
Cash flows from operating activities	(1,452,959)	$ (2,025,437)	$ 572,478
Cash flows from investing activities	(1,166,739)	3,683,999	(4,850,738)
Cash flows from financing activities	981,608	1,171,313	(189,705)
Net change in cash for the period	**$ (1,638,090)**	**$ 2,829,875**	**$ (4,467,965)**

Cash flows from operating activities
Cash used in operating activities for the quarter was $1,452,959, compared to cash used of $2,025,437 in the prior year's first quarter. The largest variant Q1/Q1 was the consolidation of Maplesoft.

Up until this year, 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, debt which is convertible to equity capital and debt, to fund acquisitions, operations and software development. The Company is targeting operations to be self-sustaining and cash positive.

Cash flows from investing activity
Cash used in Q1, 2016 for investing activity was $1,166,739 compared to cash received of $3,683,999 in Q1, 2015. The four primary differences Q1/Q1 were the disposition of Logitek's EDI business in Q1, 2015, the acquisition of Paradigm in Q1, 2015, the acquisition of control of Banyan in Q1, 2015 and the de-consolidation of Banyan in Q1, 2016.

Logitek sold its EDI business during Q1, 2015 for $2,150,000, of which $1,750,000 was received in that quarter. The gain recorded in Q1, 2015 was $1,200,000. There were no dispositions during the first quarter of 2016.

During prior year's first quarter, the acquisition of Paradigm and subsequent consolidation of results added $1,159,848 to cash flows from investing activities. In Q1, 2016, the Company completed the acquisition of Maplesoft. This transaction, while material, did not impact the investment cash flow as there was no initial cash payment for the acquisition to the former shareholders, nor were cash assets acquired. A more detailed discussion about the Maplesoft investment can be found in under "Uncertainty of Liquidity and Capital Requirements".

SEB acquired 50% share ownership of Banyan in Q4, 2014. During 2014, SEB accounted for Banyan using the equity method. In Q1, 2015, the Company was granted the ability to elect an additional Board Director, thereby giving it control. While no additional cash costs were incurred for the change in control of Banyan in Q1, 2015, the change in accounting for the company to the consolidation method led to the recording of $848,559 under "Net cash on acquisition of Banyan". In Q1, 2016, the Company no longer has control, and has once again accounted for Banyan using the equity method. While no additional cash costs were incurred, the deconsolidation of Banyan has impacted cash used in investing activities by $971,192.

Cash flows from financing activity
SEB's two primary financing sources are equity and debt financing. Equity financing involves stock issuance, option exercise and warrant exercise. Debt financing includes convertible debt, bank financing (revolving and term), short-term notes, and equipment loans and leases.

During the quarter Raymond James was engaged to provide finance sourcing alternatives to consolidate debt. Currently, the Company is in receipt of term sheets and working with potential lenders as they undergo their due diligence.

Equity financing
During Q4, 2015, a strategic investor subscribed to SEB stock in the amount of $2,400,000. This was the first tranche of a $4,000,000 private placement, the second of which was completed on December 7, 2015. The Second Tranche financing consists of 4,000,000 units (the "Units") at a price of $0.40 per Unit. Each Unit consists of (i) one common share of SEB and (ii) one common share purchase warrant of

SEB (the “Warrants”). Each Warrant has a term of 24 months from the date of issuance and vests on December 31, 2016 at an exercise price of $0.75 per share. All securities issued in connection with the financing are subject to a four month hold period from the date of closing.

While the financing was non-brokered, pursuant to SEB’s previous engagement of finders, a cash fee of 4.49% of the gross proceeds raised in the private placement was incurred and finder warrants (the “Finder Warrants”) equal to 8.975% of the number of Units of SEB (897,500 warrants) were issued. Each Finder Warrant is exercisable for a period of 18 months from the closing date at an exercise price of $0.40 per share.

No warrants were exercised during Q1, 2016, unlike prior year when the Company received $1,262,725 in proceeds from warrants exercised. SEB, however, did receive $12,500 from the exercise of options and deferred stock units ($56,000 in Q1, 2015).

Convertible Debt

No new convertible debt was issued in during either Q1, 2016 or Q1, 2015, although prior year’s first quarter did have a repayment of $33,044.

Convertible notes of $1,950,000 which matured in February, 2016 were extended until third quarter 2016 for additional consideration of 1% principal payable on maturity, and a change in interest rate from 8% to 10% on the remaining term.

Bank debt

On March 10, 2015 the Company closed new credit facilities with a major Canadian Schedule I Bank in the amount of up to $8,775,000. The credit facilities were obtained by Paradigm and SOMOS.

The $8,775,000 consists of:

i. 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 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.
ii. 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.
iii. SOMOS obtained a $1,500,000 operating demand facility 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.

Both Paradigm’s 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 Company, Paradigm, SOMOS and certain other subsidiaries have provided guarantees pursuant to the new credit facilities. Fees and warrants associated with the debt coordination were payable to an outside party.

During Q1, 2016, $175,000 of the term loan and $408,009 ($90,908 in Q1, 2015) of the operating line was repaid.

The Company has calculated that it is in default with regard to the current ratio covenant of the SOMOS facility as at November 30, 2015. As at the date of issue of the MD&A, the Company has not obtained a waiver of the default. The Company has calculated that it is in default with regards to the fixed charge coverage ratio and total funded debt covenants of the Paradigm facility. This was due to non-recurring cash payments related to the acquisition, integration and financing for which the Company has not received formal approval from the bank to exclude in its covenant calculations. As a result the Company has re-classified the non-current portion of the Paradigm term loan of $2,187,500 to the current portion of the term loan.

Equipment loans and leases
The Company repaid $5,313 of its equipment loans and leases in Q1, 2016 compared to a $23,460 in the previous first quarter. No new equipment leases or loans have been entered into.

Operations Discussion

The Company is made up of three distinct divisions: Benefits, Technology and Corporate. The Benefits Division offers a suite of products to clients ranging from claims processing to disability management. The Technology Division encompasses professional services, system development, hosting and infrastructure support and the Corporate Division manages the overall strategic direction of the subsidiaries, executes acquisitions, negotiates financings and is accountable to the Board and Shareholders.

Consolidated segmented highlights for the quarters ended February 29, 2016 and February 28, 2015

	For the quarter ended February 29, 2016				**For the quarter ended February 28, 2015**			
	Benefits	***Technology***	***Corporate***	***Total***	***Benefits***	***Technology***	***Corporate***	***Total***
Revenue	**$ 358,315**	**$ 23,009,502**	$ -	**$ 23,367,818**	$ 2,405,213	$ 8,876,367	$ -	$ 11,281,580
Cost of revenues	172,553	18,973,556	-	19,146,109	1,696,610	6,864,857	-	8,561,467
Gross Margin	**185,762**	**4,035,946**	**-**	**4,221,709**	**708,603**	**2,011,510**	**-**	**2,720,113**
Gross Margin %	*52%*	*18%*	*n/a*	*18%*	*29%*	*23%*	*n/a*	*24%*
Operating Costs	590,699	2,393,117	611,493	3,595,309	642,719	1,278,403	160,809	2,081,931
Professional fees	6,698	136,587	305,841	449,126	-	-	118,078	118,078
Share based compensation	-	-	26,601	26,601	-	-	157,837	157,837
Equity pick-up from associate	150,797	-	-	150,797	-	-	-	-
Adjusted EBITDA	**(562,432)**	**1,506,242**	**(943,935)**	**(124)**	**65,884**	**733,107**	**(436,724)**	**362,267**
								-
Gain on sale of a portion of business	-	-	-	-	-	1,200,000	-	1,200,000
Transaction costs	-	317,727	-	317,727	-	-	-	-
EBITDA	**(562,432)**	**1,188,515**	**(943,935)**	**(317,851)**	**65,884**	**1,933,107**	**(436,724)**	**1,562,267**

Benefits Division
The Benefits Division includes the following active companies:

- Banyan Work Health Solutions, Banyan Australia and BITS Licensing Inc. (Banyan)
- SEB Analytics Inc.
- SES Benefits Canada Corporation and SEB Administration Services Inc.
- Adeeva Nutritionals Canada Inc.
- Meschino Health and Wellness Corporation
- SES Benefits and HR Consulting Inc.
- BIG Benefits and HR Services Inc.

During the first quarter, the Benefits Division recorded a negative EBITDA of $562,432. $448,044 of this amount represents the on-going development costs of both the Adjudication/Administrative Claims Processing Platform, and the Meschino Wellness Platform. The remainder reflects a decline in revenue in SEB's Disability Management subsidiary (Banyan) as a result of expected sales from a long-term client being delayed. The fiscal year budget for this entity remains intact, as Management anticipates significant growth from other clients during the year. A more detailed analysis on Banyan's operating results are provided below.

Banyan
Banyan operates as a Disability Management ("DM") Third Party Administrator ("TPA") 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.

During the period December 1, 2014 to November 30, 2015, the Company had the ability to elect an extra director which gave SEB control over Banyan. SEB used consolidation accounting during fiscal 2015 to record its interest in Banyan. As of the beginning of Fiscal 2016, SEB does not have the right to elect an extra director and will be reporting the Company's share of Banyan's earnings using the equity accounting method.

Set out below is comparative financial information for the two quarters (pre-intercompany elimination adjustments):

Highlights from Banyan's Statement of Financial Position

	Feb 29, 2016	*Feb 28, 2015*	*Change from 2015*
Current assets	$ 1,454,577	$ 2,058,641	$ (604,064)
Non-current assets	1,474,781	1,470,579	4,202
Total Assets	**$ 2,929,358**	**$ 3,529,220**	**$ (599,862)**
Current liabilities	$ 744,283	$ 1,005,111	$ (260,828)
Non-current liabilities	-	-	-
Total Liabilities	**$ 744,283**	**$ 1,005,111**	**$ (260,828)**

Highlights from Banyan's Statement of Comprehensive Income (Loss)

	Three months ended February 29/28		
	2016	*2015*	*Change*
Revenue	**$ 1,806,546**	**$ 2,002,833**	**$ (196,287)**
Cost of revenues	1,464,390	1,538,199	73,809
Gross Margin	**342,156**	**464,634**	**(122,478)**
	19%	23%	-4%
Operating Costs	154,122	188,120	33,998
Professional fees	126,712	31,262	(95,450)
EBITDA	**61,322**	**245,252**	**(183,930)**
Net Income (Loss)	**$ (301,594)**	**$ 96,482**	**$ (398,076)**
SEB's 50% interest	**$ (150,797)**	**$ 48,241**	**$ (199,038)**

Benefit Division Expansion
The Company is actively reviewing acquisitions and joint venture opportunities, together with strategic partnerships, as drivers of the Benefit Division's growth strategy. SEB has launched its Broker Affiliate Program and Joint-Venture White Label TPA Program. Both will require additional investment in sales and marketing which may weaken the Benefits Divisions results in the second quarter. As the growth focus in 2016 is the Benefits Division, Management projects a positive EBITDA by the fourth quarter as investments in the first and second quarters start to realize returns. Prior to 2016, much of the focus had been on the Technology Division. SEB's competitive advantage is technology, and it was imperative that the Company have a strong, profitable Technology Division to enable SEB to capitalize on growth opportunities in its Benefit Division.

Technology Division
The Technology Division includes the following active companies:
- Somos Consulting Group Ltd.
- Stroma Service Consulting Inc.
- APS—Antian Professional Services Inc.
- Logitek Technology Ltd.
- Paradigm Consulting Group Inc.
- Inforica Inc., Inforica Technology Solutions, and Inforica Energy Solutions
- Maplesoft Group Inc., Maplesoft GTA Inc., Maplesoft Consulting Inc., Northern Brainwaves, and Group Maplesoft Quebec Inc.

Performance in the Technology Division was strong, with the exception of an EBITDA weakness in one entity where the bench utilization was lower than expected. These employees have now been deployed into revenue generating streams and their utilization is anticipated to be back to normal in the second quarter. This shortfall is expected to be recovered during the remainder of the fiscal year.

Technology Division Expansion
The Company expanded its Technology Division through the acquisition of Maplesoft on December 1, 2015. As one of the largest established consulting firms operating in the federal government environment, Maplesoft is perceived to be a highly valued asset. Maplesoft has a number of large contract vehicles, a well-established workforce, solid client relations and a positive and sustainable EBITDA.

Divisional restructuring
Operating changes continue to be made to each of the entities to streamline operations, reduce costs, and leverage synergies between the companies. It is anticipated that Maplesoft, SOMOS, and Antian will be amalgamated in 2016 and that Paradigm will be amalgamated with Stroma.

Corporate Division
The Corporate Division includes the following active companies:
- Smart Employee Benefits Inc.
- Smart Employee Solutions Inc.

The Corporate Division EBITDA for Q1, 2016 was $507,211 lower than the previous year's first quarter. This was due to additional operating costs of $450,684 and $187,763 increase in professional fees (legal, audit and valuation fees) which is in line with the growing complexity of the organization.

Investor Relations
During the first quarter Bristol Capital Ltd. (Bristol) was engaged to provide investor relations services.

Board of Directors
In Q1, 2016, Keith Harris, a Director of SEB since it was first listed on the TSXV in 2012, resigned. Mr. Harris was originally a Director of the Capital Pool Company with which SEB completed a reverse takeover to become a public company. We thank Mr. Harris for his contribution as a Director.

Risk and Uncertainties

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 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 audited financial statements do not reflect the adjustments or reclassifications of assets and liabilities which would be necessary if the Company were unable to continue as a going concern.

As at February 29, 2016 and February 28, 2015, the Company has a working capital deficiency of $17,233,943 and $3,939,463 and an accumulated deficit of $24,005,625 and $15,097,522, respectively. For the quarter ended February 29, 2016 and February 28, 2015, the Company incurred a net comprehensive loss of $2,376,861 and net income of $454,945, respectively, and negative cash flow from operations of $1,452,959 and $2,025,437 respectively. These conditions raise significant doubt about the ability of the Company to continue as a going concern without additional equity or debt financing.

To remain a going concern, the Company will require additional capital to enable it to further develop its software and generate future positive cash flows. It cannot be determined at this time whether these objectives will be realized. Management of the Company has to date been successful in raising capital through equity and debt offerings. However, there is no assurance that the Company will continue to be successful in the future. Currently, the Company is engaged in raising debt financing with the intent of using the funds to retire debt assumed as a result of the acquisition of Maplesoft in December, 2015 (see Notes 4 and 14 of the financial statements), supply working capital and finance future acquisitions.

The Company continues to make investments in entities which it believes will enhance the earnings capability of SEB. Acquisitions and investments in associate companies are made with the goal of obtaining positive cash flows which are expected to contribute to the operating results of the Company, partially based on restructurings and other initiatives Management has executed within the acquisitions. However, there are no assurances that Management will be successful in achieving this goal.

Uncertainty of Liquidity and Capital Requirements
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.

Total Debt maturity is as follows:

		Short Term Notes	Maplesoft Debt	Convertibles	Bank Term Debt	Total
Fiscal 2016	Q2	1,500,000	6,016,518	2,015,000	262,500	9,794,018
	Q3	-	520,000	2,048,333	262,500	2,830,833
	Q4	-	130,000	15,000	262,500	407,500
	Total	1,500,000	6,666,518	4,078,333	787,500	13,032,351
Fiscal 2017		-	1,225,000	543,419	1,050,000	2,818,419
Fiscal 2018		-	360,000	1,431,830	1,050,000	2,841,830
Fiscal 2019		-	152,000	31,253	350,000	533,253
Fiscal 2020		-	1,326,510	-	-	1,326,510
Total		**1,500,000**	**9,730,028**	**6,084,835**	**3,237,500**	**20,552,363**

The Company is actively pursuing alternative financing sources to retire the Maplesoft debt and the convertible debt described above.

The Company has calculated that it was in default with regard to the current ratio covenant of the SOMOS facility as at November 30, 2015. As at the date of issue of the MD&A, the Company has not obtained a waiver of the default. The Company has calculated that it may also be in default with regard to the Debt to Equity covenant of the Paradigm facility. As a precaution the Company has re-classified the non-current portion of the Paradigm term loan to the current portion of the term loan.

The borrowings of the Company under the Debt Facility and certain Notes are secured by its lenders by a general security agreement ("GSA") over substantially all of the assets of the Company. Should the Company not meet its covenants or obligations under these borrowing agreements when due, there is the risk that its lenders may realize on its security and liquidate the assets of the Company.

The future capital requirements of the Company will depend on many factors, including the number and size of acquisitions consummated, rate of growth of its client base, the costs of expanding into new markets, the growth of the market for healthcare services and the costs of administration. In order to meet such capital requirements, the Company may consider additional public or private financing (including the incurrence of debt and the issuance of additional common shares) to fund all or a part of a particular venture, which could entail dilution of current investors' interest in the Company. There can be no assurance that additional funding will be available or, if available, that it will be available on acceptable terms. If adequate funds are not available, the Company may have to reduce substantially or otherwise eliminate certain expenditures. There can be no assurance that the Company will be able to raise additional capital if its capital resources are depleted or exhausted. Further, due to regulatory impediments and lack of investor appetite, the ability of the Company to issue additional common shares or other securities exchangeable for or convertible into common shares to finance acquisitions may be restricted.

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 primarily deals with blue chip and government clients and 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. Given SEB's client based, Management believes 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. A 1% appreciation (depreciation) in the interest rate would result in a change in interest expense of approximately of $78,275. Management believes that the Company is not currently exposed to any significant interest rate risk.

Reliance on Contracts with Key Customers
Revenues attributable to the Company's businesses are dependent upon certain significant customers. There can be no assurance that the Company's contracts with its key customers will be renewed or that the Company's services will continue to be utilized by those key customers. There could be material adverse effects on the businesses of the Company if a key customer does not renew its contracts with the Company, or elects to terminate its contracts with the Company in favour of another service provider. Further, there is no assurance that any new agreement or renewal entered into by the Company with its customers will have terms similar to those contained in current arrangements, and the failure to obtain those terms could have an adverse effect on the Company's businesses. Through acquisitions the Company has expanded its sales channels which it intends to leverage for a broader suite of services. By expanding the client base, SEB reduces reliance on specific key customers.

Acquisitions and Integration
The Company has and continues to expect to make acquisitions of various sizes that fit particular niches within SEB's overall corporate strategy. There is no assurance that it will be able to acquire businesses on satisfactory terms or at all. These acquisitions will involve the commitment of capital and other resources, and these acquisitions could have a major financial impact in the year of acquisition and beyond. The speed and effectiveness with which SEB integrates these acquired companies into its existing businesses may have a significant short-term impact on the Company's ability to achieve its growth and profitability targets.

The successful integration and management of acquired businesses involves numerous risks that could adversely affect SEB's growth and profitability, including that:
(a) Management may not be able to manage successfully the acquired operations and the integration may place significant demands on management, thereby diverting its attention from existing operations;
(b) Operational, financial and management systems may be incompatible with or inadequate to integrate into the Company's systems and management may not be able to utilize acquired systems effectively;
(c) Acquisitions may require substantial financial resources that could otherwise be used in the development of other aspects of the business;
(d) Acquisitions may result in liabilities and contingencies which could be significant to the Company's operations; and
(e) Personnel from SEB's acquisitions and its existing businesses may not be integrated as efficiently or at the rate foreseen.

The acquisition of companies or assets involves a long cost recovery cycle. The sales processes for the products that these companies offer are often subject to lengthy customer approval processes. Failures by the Company in achieving signed contracts after the investment of significant time and effort in the sales process could have an adverse impact on the Company`s operating results.

To mitigate the above noted risks, the Company performs significant due diligence on acquisition targets, and identifies both risks and opportunities before finalization.

Information Technology Systems

SEB's businesses depend, in part, on the continued and uninterrupted performance of its information technology systems. Sustained system failures or interruptions could disrupt the Company's ability to operate effectively, which in turn could adversely affect its business, results of operations and financial condition.

The Company's computer systems may be vulnerable to damage from a variety of sources, including physical or electronic break-ins, computer viruses and similar disruptive problems. Despite precautions taken, unanticipated problems affecting the information technology systems could cause interruptions for which the Company's insurance policies may not provide adequate compensation.

SEB's risk mitigation strategy for its information systems includes the maintenance of secure infrastructure, third party monitoring, and disaster recovery strategies.

Confidentiality of Personal and Health Information

The Company and its subsidiaries' employees have access, in the course of their duties, to personal information of clients of the Company and specifically their medical histories. There can be no assurance that the Company's existing policies, procedures and systems will be sufficient to address the privacy concerns of existing and future clients. If a client's privacy is violated, or if SEB is found to have violated any law or regulation, it could be liable for damages or for criminal fines or penalties.

SEB takes client privacy very seriously and complies with all aspects of the PIPEDA legislation. Employees are trained on privacy, and sign written acknowledgement and non-disclosure agreements. Further data is maintained in restricted areas on a secure infrastructure.

Key Personnel

The Company believes that its future success will depend significantly upon its ability to attract, motivate and retain highly skilled executive management. In addition, the success of each business unit depends on employing or contracting, as the case may be, qualified professionals. Currently, there is a shortage of such qualified personnel in Canada. The Company will compete with other potential employers for employees and it may not be successful in keeping the services of the executives and other employees, including professionals that it requires. The loss of highly skilled executives and professionals or the inability to recruit these individuals in markets that the Company operates in could adversely affect the Company's ability to operate its business efficiently and profitably. To mitigate these risks, the SEB provides a competitive compensation package.

Accounting, Tax and Legal Rules and Laws

Any changes to accounting and/or tax standards and pronouncements introduced by authorized bodies may impact on the Company's financial performance. Additionally, changes to any of the federal and provincial laws, regulations or policies in jurisdictions where the Company operates could materially affect the Company's operations and its financial performance. The Company may also incur significant costs in order to comply with any proposed changes. The Company's failure to comply with laws, regulations or policies may expose the Company to legal or regulatory proceedings which could have a material impact on the Company's financial performance. Through continuous education and training, SEB employees are kept abreast of the changing legal and regulatory environment before changes come into effect, allowing the Company to sufficiently plan for any anticipated impact.

Internal Control over Financial Reporting and Disclosure Controls and Procedures
The Company may face risks if there are deficiencies in its internal control over financial reporting and disclosure controls and procedures. Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external reporting purposes. Management is responsible for establishing and maintaining adequate internal controls over financial reporting appropriate to the nature and size of the Company. Management does not expect that Company's disclosure controls and procedures and internal controls over financial reporting will prevent all error and all fraud. A control system, no matter how well designed and implemented, can provide only reasonable, not absolute, assurance that its objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues within a company are detected. The inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Controls can also be circumvented by individual acts, by collusion of two or more people or by management override of the controls. Due to the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected. Any deficiencies, if uncorrected, could result in the Company's financial statements being inaccurate and in future adjustments or restatements of its financial statements, which could adversely affect the price of the shares and SEB's business, financial condition and results of operations.

The Company needs to comply with financial reporting and other requirements as a public company
The Company is subject to reporting and other obligations under applicable Canadian securities laws and TSX-V rules, including National Instrument 52-109. These reporting and other obligations place significant demands on the Company's management, administrative, operational and accounting resources. Moreover, any failure to maintain effective internal controls could cause the Company to fail to meet its reporting obligations or result in material misstatements in its consolidated financial statements. If the Company cannot provide reliable financial reports or prevent fraud, its reputation and operating results could be materially harmed, which could also cause investors to lose confidence in the Company's reported financial information, which could result in a lower trading price of its securities.

To mitigate these risks, the Company hires seasoned professionals as employees/contractors, and has a strong working relationship with its auditors, which provide annual control assessments and recommendations to the Management and the Audit Committee. The Management and Board, in conjunction with its Audit Committee, are responsible for assessing the progress and sufficiency of internal controls over financial reporting and disclosure controls and procedures and make adjustments as necessary.

Capital Investment
The timing and amount of capital expenditures by the Company will be dependent upon the Company's ability to utilize credit facilities, raise new debt/equity, generate cash from operations, meet working capital requirements and sell additional shares in order to accommodate these items. There can be no assurance that sufficient capital will be available on acceptable terms to the Company for necessary or desirable capital expenditures or that the amount required will be the same as currently estimated. Lack of these funds could limit the future growth of the Company and its subsidiaries and their respective cash flows. To mitigate the situation, the Company is actively pursuing alternative financing with the aid of an experienced financing institution.

Ethical Business Conduct
A violation of law, the breach of Company policies or unethical behaviour may impact on the Company's reputation which in turn could negatively affect the Company's financial performance. The Company has

established policies and procedures, including a Code of Business Conduct, to support a culture with high ethical standards.

Volatile Market Price for Securities of the Company
The market price for securities may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Company's control, including the following:
• actual or anticipated fluctuations in the Company's quarterly results of operations;
• changes in estimates of future results of operations by the Company or securities research analysts;
• changes in the economic performance or market valuations of other companies that investors deem comparable to the Company;
• addition or departure of the Company's executive officers and other key personnel;
• release or other transfer restrictions on outstanding securities;
• sales or perceived sales of additional securities;
• significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Company or its competitors; and,
• news reports relating to trends, concerns or competitive developments, regulatory changes and other related issues in the Company's industry or target markets.

Financial markets have recently experienced significant price and volume fluctuations that have particularly affected the market prices of securities of companies and that have, in many cases, been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the securities of the of the Company may decline even if the Company's operating results, underlying asset values or prospects have not changed.

Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. As well, certain institutional investors may base their investment decisions on consideration of the Company's environmental, governance and social practices and performance against such institutions' respective investment guidelines and criteria, and failure to meet such criteria may result in a limited or no investment in the Company's securities by those institutions, which could adversely affect the trading price of the Company's securities. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility continue, the Company's operations and the trading price of the Company's securities may be adversely affected.

To mitigate, the Company has engaged an Investor Relations firm which will assist with communication of the industry, the market and the Company to the investment community.

Future Sales of the Company's Securities by Directors and Executive Officers
Subject to compliance with applicable securities laws, directors and executive officers and their affiliates may sell some or all of their securities in the Company in the future. No prediction can be made as to the effect, if any, such future sales will have on the market price of the Company's securities prevailing from time to time. However, the future sale of a substantial number of securities by the Company's directors and executive officers and their controlled entities, or the perception that such sales could occur, could adversely affect prevailing market prices for the Company's securities.

To mitigate this risk, SEB has put in place policies, procedures and guidelines which prevent trading of securities during certain periods.

Directors and Officers may have a Conflict of Interest
Certain of the directors and officers of the Company may also serve as directors and/or officers of other companies and consequently there exists the possibility for such directors and officers to be in a position

of conflict. Any decision made by any of such directors and officers involving the Company are being made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of the Company.

Non-IFRS Financial Measures Definitions and Reconciliation

This MD&A includes certain measures which have not been prepared in accordance with IFRS such as EBITDA and, Adjusted EBITDA. These non-IFRS measures are not recognized under IFRS and, accordingly, users are cautioned that these measures should not be construed as alternatives to net income determined in accordance with IFRS. As these measures do not have standardized meaning subscribed under IFRS, and may not be comparable to similar measures used by other companies, the following definitions are provided, and a reconciliation table is noted below:

"EBITDA" is defined as earnings before interest, interest accretion, income taxes, depreciation of equipment and amortization of intangibles.

"Adjusted EBITDA" is operating earnings before one-time expenses. It is defined as earnings before gain on sale of a portion of the business, transaction costs, write-down of intangibles, interest, interest accretion, income taxes, depreciation of equipment and amortization of intangible assets. The Company believes that Adjusted EBITDA is a meaningful financial metric as it measures cash generated from operations which the Company can use to fund working capital requirements, service interest and principal debt repayments and fund future growth initiatives.

"Transaction costs" is defined as legal and other professional costs associated with the acquisitions.

The below table, reconciles both EBITDA and Adjusted EBITDA to "Net Loss and Comprehensive Loss" as presented in the Consolidated Statements of Comprehensive Loss:

	29-Feb-16	***28-Feb-15***
Net Loss and Comprehensive Loss	**$ (2,376,861)**	**$ 454,945**
Interest	761,590	125,124
Accretion of interest	189,504	194,512
Income tax expense (recovery)	-	69,378
Depreciation	103,512	35,008
Amortization	1,004,404	683,300
EBITDA:	**(317,851)**	**1,562,267**
Gain on sale of a portion of business	-	1,200,000
Transaction costs	317,727	-
Write down of intangibles	-	-
Adjusted EBITDA:	**(124)**	**362,267**