



Smart Employee Benefits Inc.

Unaudited Interim Consolidated Financial Statements

For the three and six months ending May 31, 2017

To the Shareholders of Smart Employee Benefits Inc.:

Management is responsible for the preparation and presentation of the accompanying unaudited interim 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 report is consistent with the consolidated 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.

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 their 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.

MNP LLP, an independent firm of Chartered Professional Accountants, has not performed a review of these unaudited interim consolidated financial statements in accordance with the review standards established by the Canadian Institute of Chartered Accountants.

July 31, 2017

"John McKimm"

Chief Executive Officer

"Robert Prentice"

Chief Financial Officer

Smart Employee Benefits Inc.

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Smart Employee Benefits Inc.

Unaudited Interim Consolidated Statements of Financial Position

	Note	May 31, 2017	Nov 30, 2016
Cash and cash equivalents		\$ 897,261	\$ 2,442,757
Accounts receivable		22,473,583	17,330,315
Short-term notes receivable		-	347,112
Inventory		243,569	247,817
Prepays and deposits		1,246,926	652,102
Total Current Assets		24,861,339	21,020,103
Long-term deposits		93,412	93,412
Notes receivable	17	3,377,257	2,806,067
Equipment	5	949,979	798,484
Software	6	1,735,559	1,778,535
Intellectual property	6	38,500	80,208
Customer relationships	7	6,482,744	7,453,382
Trade names	8	4,475,308	5,257,319
Goodwill	4	15,713,324	15,613,324
Total Assets		\$ 57,727,422	\$ 54,900,834
Bank loan	9	\$ 11,728,575	\$ 11,154,140
Current portion of term bank loan	9	1,375,000	1,050,000
Accounts payable and accrued liabilities		20,175,205	15,670,000
Deferred revenue	10	341,899	435,234
Notes payable	13,15,17	1,599,728	9,215,997
Equipment leases payable	11	3,661	6,786
Government remittances and current taxes payable		1,017,932	1,071,671
Current portion of contingent consideration payable	21	1,629,752	27,475
Current portion of convertible debt	12	2,547,368	2,224,492
Total Current Liabilities		40,419,120	40,855,795
Equipment leases payable	11	5,707	7,148
Contingent consideration payable	21	2,047,064	3,649,340
Convertible debt	12	56,001	1,640,238
Term bank loan	9	9,125,000	1,226,000
Notes payable	13,15	1,371,510	1,832,286
Deferred income taxes		2,698,219	2,698,219
Preferred shares		350,000	350,000
Total Long Term Liabilities		15,653,501	11,403,231
Share capital	14	28,076,678	24,937,594
Share issue costs		(1,056,163)	(963,492)
Contributed surplus		5,872,832	3,224,582
Warrants	14	3,446,490	4,141,964
Options	14	693,341	1,274,342
Accumulated deficit		(35,068,249)	(29,611,206)
		1,964,929	3,003,784
Non-controlling interest	4	(310,128)	(361,976)
Total Shareholders' Equity		1,654,801	2,641,808
Total Liabilities and Shareholders' Equity		\$ 57,727,422	\$ 54,900,834

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

Approved on behalf of the Board:

"Stephen Peacock"

Director

"John McKimm"

Director

Smart Employee Benefits Inc.

Unaudited Interim Consolidated Statements of Changes in Shareholders' Equity

	Share Capital		Warrants		Options		Contributed Share Issue Accumulated			Non-controlling Interest	
	Number	\$	Number	\$	Number	\$	Surplus	Costs	Deficit	Equity	Interest
Balances November 30, 2016	109,673,574	24,937,594	32,130,935	4,141,964	8,370,000	1,274,342	3,224,582	(963,492)	(29,611,206)	3,003,784	(361,976)
Private placement	16,762,115	2,491,974	16,762,115	860,449	-	-	-	(70,050)	-	3,282,373	-
Finder warrants re private placement	-	-	367,500	17,012	-	-	-	(17,012)	-	-	-
Expiry of warrants	-	-	(2,971,500)	(147,232)	-	-	147,232	-	-	-	-
Equity-settled share-based compensation	-	-	-	-	-	54,872	-	-	-	54,872	-
Expiry of options	-	-	-	-	(300,000)	(122,730)	122,730	-	-	-	-
Net comprehensive loss for the period	-	-	-	-	-	-	-	-	(2,202,918)	(2,202,918)	-
Net income for the period attributed to non-controlling interest	-	-	-	-	-	-	-	-	(7,511)	(7,511)	7,511
Balances February 28, 2017	126,435,689	27,429,568	46,289,050	4,872,193	8,070,000	1,206,484	3,494,544	(1,050,554)	(31,821,635)	4,130,600	(354,465)
Private placement	4,775,000	647,110	4,775,000	307,890	-	-	-	(4,200)	-	950,800	-
Finder warrants re private placement	-	-	21,000	1,409	-	-	-	(1,409)	-	-	-
Expiry of warrants	-	-	(10,897,500)	(1,760,567)	-	-	1,760,567	-	-	-	-
Warrants issued on replacement of debt	-	-	342,700	25,565	-	-	-	-	-	25,565	-
Equity-settled share-based compensation	-	-	-	-	3,500,000	104,578	-	-	-	104,578	-
Expiry of options	-	-	-	-	(2,630,000)	(617,721)	617,721	-	-	-	-
Net comprehensive loss for the period	-	-	-	-	-	-	-	-	(3,202,277)	(3,202,277)	-
Net income for the period attributed to non-controlling interest	-	-	-	-	-	-	-	-	(44,338)	(44,338)	44,338
Balances May 31, 2017	131,210,689	28,076,678	40,530,250	3,446,490	8,940,000	693,341	5,872,832	(1,056,163)	(35,068,249)	1,964,929	(310,128)

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

Smart Employee Benefits Inc.

Unaudited Interim Consolidated Statements of Changes in Shareholders' Equity

	Share Capital		Warrants		Options		Contributed Share Issue Accumulated			Non-controlling Interest	
	Number	\$	Number	\$	Number	\$	Surplus	Costs	Deficit		Equity
Balances November 30, 2015	95,392,483	21,935,275	20,846,501	3,590,780	7,231,500	1,700,743	2,168,909	(833,519)	(21,608,641)	6,951,547	(520,319)
Acquisition of Maplesoft	4,000,000	1,280,000	1,000,000	297,800	-	-	-	-	-	1,577,800	-
Private placement	4,000,000	827,600	4,000,000	772,400	-	-	-	(42,570)	-	1,557,430	-
Finder warrants re private placement	-	-	297,500	59,827	-	-	-	(59,827)	-	-	-
Expiry of options	-	-	-	-	(400,000)	-	-	-	-	-	-
Deferred Share Unit (DSU)	30,056	12,500	-	-	-	-	-	-	-	12,500	-
Net comprehensive loss for the period	-	-	-	-	-	-	-	-	(2,426,715)	(2,426,715)	-
Net loss for the period attributed to non-controlling interest	-	-	-	-	-	-	-	-	23,642	23,642	(23,642)
Balances February 29, 2016	103,422,539	24,055,275	26,144,001	4,720,807	6,831,500	1,700,743	2,168,909	(937,916)	(24,011,714)	7,696,204	(543,961)
Issue of warrants	-	-	500,000	47,950	-	-	-	-	-	47,950	-
Expiry of options	-	-	-	-	(1,796,500)	-	-	-	-	-	-
Issue of options	-	-	-	-	2,440,000	137,477	-	-	-	137,477	-
Cancellation of DSU	(30,056)	(12,500)	-	-	-	-	-	-	-	(12,500)	-
Conversion of notes	16,666	10,000	-	-	-	-	-	-	-	10,000	-
Net comprehensive loss for the period	-	-	-	-	-	-	-	-	(1,061,278)	(1,061,278)	-
Net income for the period attributed to non-controlling interest	-	-	-	-	-	-	-	-	(2,134)	(2,134)	2,134
Balances May 31, 2016	103,409,149	24,052,875	26,644,001	4,768,757	7,475,000	1,838,220	2,168,909	(937,916)	(25,075,126)	6,815,719	(541,827)

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

Smart Employee Benefits Inc.

Unaudited Interim Consolidated Statements of Comprehensive Loss

For the three months and six months ended May 31, 2017 and 2016

		Mar 1, 2017 to May 31, 2017	Mar 1, 2016 to May 31, 2016	Dec 1, 2016 to May 31, 2017	Dec 1, 2015 to May 31, 2016
	Note				
Revenue		\$ 26,873,279	\$ 25,144,842	\$ 50,021,238	\$ 48,512,660
Cost of revenues					
Compensation		19,220,170	19,747,868	38,180,528	38,439,130
Other costs of revenues		388,818	659,643	856,025	1,114,490
		<u>19,608,988</u>	<u>20,407,511</u>	<u>39,036,553</u>	<u>39,553,620</u>
Gross margin		7,264,291	4,737,331	10,984,685	8,959,040
Expenses					
Salaries and other compensation costs	17	4,148,313	2,420,981	6,212,840	4,848,693
Office and general		1,663,906	1,120,531	2,802,213	2,288,128
Professional fees		703,043	201,392	1,161,150	650,518
Amortization	6,7,8	1,158,363	1,025,738	2,242,438	2,030,142
Depreciation of equipment	5	79,732	46,714	128,702	150,226
Share-based compensation		104,578	108,972	159,450	137,477
		<u>7,857,935</u>	<u>4,924,328</u>	<u>12,706,793</u>	<u>10,105,184</u>
Loss before the following:		(593,644)	(186,997)	(1,722,108)	(1,146,144)
Transition costs	4	978,882	-	978,882	-
Transaction costs		925,646	295,967	1,442,201	613,694
Interest and financing fees		648,839	693,417	1,150,926	1,502,957
Accretion of interest	12	55,178	70,826	110,356	260,330
Loss before income tax		(3,202,189)	(1,247,207)	(5,404,473)	(3,523,125)
Provision for income tax		88	1,140	722	1,140
Net loss before discontinued operations		(3,202,277)	(1,248,347)	(5,405,195)	(3,524,265)
Net income from discontinued operations, net of tax	4	-	187,069	-	36,272
Net comprehensive loss		\$ (3,202,277)	\$ (1,061,278)	\$ (5,405,195)	\$ (3,487,993)
Attributed to non-controlling interest		\$ 44,338	\$ 2,134	\$ 51,848	\$ (21,508)
Attributed to common shareholders		\$ (3,246,615)	\$ (1,063,412)	\$ (5,457,043)	\$ (3,466,485)
Weighted average number of shares	14	129,287,048	103,413,661	123,680,827	103,407,893
Net loss per common share					
- basic and diluted		\$ (0.03)	\$ (0.01)	\$ (0.04)	\$ (0.03)

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

Smart Employee Benefits Inc.

Unaudited Interim Consolidated Statements of Cash Flows

For the three months and six months ended May 31, 2017

	Notes	Mar 1, 2017 to May 31, 2017	Mar 1, 2016 to May 31, 2016	Dec 1, 2016 to May 31, 2017	Dec 1, 2015 to May 31, 2016
Net comprehensive loss for the period		\$ (3,202,277)	\$ (1,061,278)	\$ (5,405,195)	\$ (3,487,993)
Items not affecting cash:					
Amortization of intangible assets	6,7,8	1,158,363	1,025,738	2,242,438	2,030,142
Depreciation of equipment	5	79,732	46,714	128,702	150,226
Accretion of interest	12	55,179	55,041	110,357	260,330
Share-based compensation		104,578	108,972	159,450	137,477
Accrued interest		106,802	-	197,816	-
Cash flow from (used in) operating activities of continuing operations before the following:		(1,697,623)	175,187	(2,566,432)	(909,818)
Change in non-cash working capital	19	1,313,729	1,665,679	(941,735)	1,527,941
Cash flows from (used in) operating activities of continuing operations		(383,894)	1,840,866	(3,508,167)	618,123
Cash flows from operating activities of discontinued operations		-	(187,069)	-	(36,272)
Cash flows from (used in) operating activities		(383,894)	1,653,797	(3,508,167)	581,851
Cash received on sale of portion of business	4	-	-	-	75,000
Purchase of benefit administration business	4	(55,153)	-	(55,153)	-
Purchase of software and equipment	5, 6	(43,982)	(54,731)	(43,982)	(250,278)
Acquisition and financing costs		(925,646)	(248,017)	(1,442,201)	(565,744)
Cash flows used in investing activities		(1,024,781)	(302,748)	(1,541,336)	(741,022)
Proceeds (Repayment) of operating line		(218,933)	83,488	574,254	(324,521)
Proceeds from bank term loan	9	10,500,000	-	10,500,000	-
Repayment of bank term loan	9	(2,101,000)	(350,000)	(2,276,000)	(525,000)
Proceeds from equity financings	14	877,250	-	4,122,250	1,557,430
Issue costs of equity financings	14	(48,685)	-	(48,685)	-
Change of notes receivable with related parties		-	(75,000)	-	(185,000)
Repayment of equipment leases and loans		(3,845)	(5,312)	(4,566)	(10,625)
Repayment of convertible debt	12	(266,708)	(16,047)	(1,088,385)	(31,832)
Repayment of short-term notes		(7,274,861)	-	(8,274,861)	-
Cash flows from (used in) financing activities		1,463,217	(362,871)	3,504,007	480,452
Net change in cash and cash equivalents		54,542	988,178	(1,545,496)	321,281
Cash and cash equivalents, beginning of period		842,719	1,210,273	2,442,757	1,877,170
Cash and cash equivalents, end of period		\$ 897,261	\$ 2,198,451	\$ 897,261	\$ 2,198,451

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

Smart Employee Benefits Inc.

Notes to Unaudited Interim Consolidated Financial Statements

May 31, 2017

1. Nature of Operations

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

These financial statements are the unaudited interim consolidated financial statements of Smart Employee Benefits Inc. and its active subsidiary as listed by operating segment below:

Company	SEB Ownership
Technology Division	
APS - Antian Professional Services Inc.	100%
Inforica Inc.	50%
Logitek Technology Ltd.	100%
Maplesoft Group Inc.	100%
Paradigm Consulting Group Inc.	100%
SOMOS Consulting Group Ltd.	100%
Stroma Service Consulting Inc.	100%
Benefits Division	
Adeeva Nutritionals Canada Inc.	100%
Meschino Health and Wellness Corporation	75%
SEB Administrative Services Inc.	100%
SEB Benefits and HR Consulting Inc.	50%
SES Benefits Canada Corporation	100%
SEB Analytics Inc.	50%
Corporate Division	
Smart Employee Solutions Inc.	100%

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

Smart Employee Benefits Inc.

Notes to Unaudited Interim Consolidated Financial Statements

May 31, 2017

2. Going Concern

At May 31, 2017, the Company had a working capital deficiency of \$15,557,781 (November 30, 2016 - \$19,835,692), and an accumulated deficit of \$35,068,249 (November 30, 2016 - \$29,611,206). During the period of the unaudited interim consolidated financial statements, the Company incurred a net loss of \$3,202,277 and \$5,405,195 for the three months and six months ending May 31, 2017 (net loss of \$1,061,278 and \$3,487,993 for the three months and six months ending May 31, 2016), and negative cash flow from continuing operations of \$383,894 and \$3,508,167 for the three months and six months ending May 31, 2017 (positive cash flow \$1,840,866 and \$618,123 for the three months and six months ending May 31, 2016). These conditions raise significant doubt about the ability of the Company to continue as a going concern without additional equity or debt financing. 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.

Acquisitions and investments in associate companies are made with the goal of obtaining positive cash flows partially based on restructurings and other initiatives. There is no assurance that the Company will be able to produce net income or generate positive cash flow from operations in the foreseeable future. Based on these events and conditions, there are 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.

These unaudited interim consolidated 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.

3. Basis of Presentation

These unaudited interim financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements, and should be read in conjunction with the financial statements for the year ended November 30, 2016. The accounting policies adhered to are consistent with those of the previous financial year. The information on accounting standards effective in future periods and not yet adopted remains unchanged from that disclosed in the annual financial statements.

4. Business Combinations and Associate Investments

(a) Banyan Work Health Solutions Inc.

The acquisition of Banyan Work Health Solutions Inc. was unwound in July, 2016. It is accounted for as discontinued operations in the comparative period's financial statements.

Smart Employee Benefits Inc.

Notes to Unaudited Interim Consolidated Financial Statements

May 31, 2017

4. Business Combinations and Associate Investments (continued)

(b) Acquisition of Maplesoft Group Inc.

On December 1, 2015 the Company acquired Maplesoft Group Inc. (“Maplesoft”), an Ottawa-based business with regional offices in Calgary, Montreal and Toronto under the following terms:

1. The purchase price of Maplesoft common and preferred shares was \$4,000,000. It was satisfied by the issuance of 4,000,000 SEB common shares at a deemed price of \$0.50 per share and a promissory note of \$2,000,000 (the “Promissory Note”). The SEB shares issued on the transaction were subject to contractual escrow releases. The Promissory Note bore interest at 6% per annum. It was repaid in Q2, 2017. Maplesoft common and preferred shares were pledged in support of various debt facilities assumed in the transaction.
2. Term debt was assumed of approximately \$8,428,028 plus a revolving operating credit facility of up to \$7,500,000. SEB guaranteed \$4,784,000 of the debt. The CEO of the Company personally guaranteed \$2,560,000 of the debt.
3. The Company committed to make a working capital investment in Maplesoft of \$1,500,000. Prior to acquisition, the Company had advanced Maplesoft \$1,125,671 related to the working capital investment.
4. 1,000,000 share purchase warrants were issued for employee and consultant retention. The warrants have a five year term, vest over a 48-month period, and have an exercise price of \$0.50 per share.
5. Payment of performance incentive consideration equivalent to 15% of the increase of the enterprise value of Maplesoft Consulting Inc. over a five year period (the “Performance Incentive Payments”).

In addition, the Company committed to provide an advance of \$2,000,000 to former Maplesoft shareholders to be secured by the SEB shares issued to such shareholders and other Maplesoft related assets where the shareholders have an interest. The advance will be offset against any amounts owed to such shareholders including the Performance Incentive Payments. As of May 31, 2017, \$472,591 was advanced to these former Maplesoft shareholders, who continued to be executive of Maplesoft.

Smart Employee Benefits Inc.

Notes to Unaudited Interim Consolidated Financial Statements

May 31, 2017

4. Business Combinations and Associate Investments (continued)

(b) Acquisition of Maplesoft Group Inc. (continued)

The fair value of consideration transferred was as follows:

	Note	
Shares issued		\$ 1,280,000
Promissory note issued		2,000,000
Warrants issued	14	297,800
Bank indebtedness	9	6,845,549
Debt assumed	13	6,768,098
Contingent consideration payable	21	908,839
Total		\$ 18,100,286

The fair value allocated to assets acquired was as follows:

Net tangible assets		\$ 2,832,867
Non-controlling interest in subsidiaries		(148,131)
Trade names	8	4,950,000
Customer relationships	7	4,090,000
Goodwill		8,326,595
Deferred income taxes	16	(1,951,045)
Total		\$ 18,100,286

Net tangible assets of Maplesoft on acquisition was as follows:

Working capital		\$ 2,269,617
Litigation contingency		(255,000)
Notes receivable		449,635
Equipment		368,615
Net tangible assets		\$ 2,832,867

Smart Employee Benefits Inc.

Notes to Unaudited Interim Consolidated Financial Statements

May 31, 2017

4. Business Combinations and Associate Investments (continued)

(c) Acquisition of Health Benefits Administration Business

On March 31, 2017 SEB acquired the mid-market health benefits administration business in Canada of AON Hewitt Inc. (“AON”) and formed a strategic alliance with AON. As part of this transaction, SEB acquired several complementary technology platforms and added approximately 150 employees from Canada and India.

The fair value of consideration transferred is as follows:	Note	
Cash paid on closing		\$ 55,153
Obligations re employees		144,847
Amounts due to AON		300,000
Total		\$ 500,000

The fair value was allocated to assets acquires as follows:		
Customer relationships	7	\$ 200,000
Acquired software	6	200,000
Goodwill	4	100,000
Total		\$ 500,000

Pursuant to the AON acquisition agreements, AON will continue to maintain the operations within their environment during a transitional period. These costs are recorded on the Statement of Comprehensive Loss under the heading “Transition Costs”.

Smart Employee Benefits Inc.

Notes to Unaudited Interim Consolidated Financial Statements

May 31, 2017

4. Business Combinations and Associate Investments (continued)

(d) Summary of Goodwill

	Balance	Balance
	May 31, 2017	Nov 30, 2016
Logitek Technology Ltd.	\$ 553,655	\$ 553,655
Inforica Inc.	935,165	935,165
Adeeva Nutritionals Canada Inc.	620,464	620,464
Stroma Service Consulting Inc.	366,985	366,985
Paradigm Consulting Group Inc.	4,697,380	4,697,380
SEB Benefits and HR Consulting Inc.	113,080	113,080
Maplesoft Group Inc.	8,326,595	8,326,595
SEB Administrative Services Inc.	100,000	-
Total Goodwill	\$ 15,713,324	\$ 15,613,324

(e) Non-controlling Interest

	Investment	Net Income (Loss) and Dividends	Total
Balance November 30, 2016	\$ (95,644)	\$ (266,332)	\$ (361,976)
Net income attributed to non-controlling interest	-	7,511	7,511
Balance February 28, 2017	\$ (95,644)	\$ (258,821)	\$ (354,465)
Net income attributed to non-controlling interest	-	44,337	44,337
Balance May 31, 2017	\$ (95,644)	\$ (214,484)	\$ (310,128)

5. Equipment

	Cost			Accumulated depreciation			Net Balance		
	Nov 30, 2016	Additions (Disposal)	May 31, 2017	Nov 30, 2016	Additions (Disposal)	May 31, 2017	Nov 30, 2016	Additions (Disposal)	May 31, 2017
Furniture and office equipment	\$ 602,171	\$ 30,119	\$ 632,290	\$ 302,503	\$ 22,972	\$ 325,475	\$ 299,668	\$ 7,147	\$ 306,815
Computer hardware	1,243,378	43,982	1,287,360	879,836	(119,040)	760,796	363,543	163,023	526,564
Leaseholds	159,335	-	159,335	24,062	18,673	42,735	135,273	(18,673)	116,600
Total	\$ 2,004,884	\$ 74,101	\$ 2,078,985	\$ 1,206,401	\$ (77,395)	\$ 1,129,006	\$ 798,484	\$ 151,497	\$ 949,979

Smart Employee Benefits Inc.

Notes to Unaudited Interim Consolidated Financial Statements

May 31, 2017

6. Software and Intellectual Property

(a) Software

	Cost			Accumulated Amortization			Net	
	Nov 30, 2016	Additions	May 31, 2017	Nov 30, 2016	Expense	May 31, 2017	May 31, 2017	Nov 30, 2016
HCS licence (1)	\$ 500,000	\$ -	\$ 500,000	\$ 270,833	\$ 37,500	\$ 308,333	\$ 191,667	\$ 229,167
HCS admin system (2)	648,293	-	648,293	123,871	32,218	156,089	492,204	524,422
Logitek (3)	798,210	-	798,210	305,979	46,564	352,543	445,667	492,231
Inforica (4)	240,000	-	240,000	96,000	76,000	172,000	68,000	144,000
Meschino (6)	327,511	-	327,511	12,006	16,376	28,382	299,129	70,583
Adeeva (5)	110,000	-	110,000	39,417	32,083	71,500	38,500	315,505
Paradigm	119,475	329	119,805	119,475	83	119,558	247	-
Maplesoft	31,493	-	31,493	28,865	591	29,456	2,037	2,627
SEB Adm (7)	-	204,776	204,776	-	6,667	6,667	198,109	-
Total	\$ 2,774,982	\$ 205,105	\$ 2,980,087	\$ 996,446	\$ 248,082	\$ 1,244,528	\$ 1,735,559	\$ 1,778,535

- 1) A software license which performs the adjudication of health benefit claims (“Adjudication Software”). The License provides (a) a perpetual, irrevocable, transferable and exclusive right to use the Adjudication Software in Canada; and (b) a perpetual, irrevocable, transferable and non-exclusive right to use the Adjudication Software outside Canada. It is being amortized over 10 years on a straight-line basis.
- 2) The Company developed an administrative platform linked to the Adjudication Software to generate further health benefit processing revenues. It is being amortized over 5 years on a straight-line basis.
- 3) Logitek developed a number of proprietary pieces of software, particularly in the management of retail supply-chain. It is being amortized over 10 years on a straight-line basis.
- 4) Inforica has developed proprietary software, particularly in the field of energy management. It is being amortized over 5 years on a straight-line basis.
- 5) Adeeva technology consists of product formulations. It is being amortized over 5 years on a straight-line basis.
- 6) Meschino has developed a wellness information technology platform. It is being amortized over 5 years on a straight-line basis.
- 7) SEB Administrative Services Inc. acquired the mid-market health benefits administration software. It is being amortized over 5 years on a straight-line basis.

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(b) Intellectual Property

Intellectual property acquired with Adeeva includes video and written content related to health issues. It is being amortized over 5 years on a straight-line basis as reflected in the table below:

	Cost			Accumulated Amortization			Net	
	Nov 30, 2016	Acquisitions	May 31, 2017	Nov 30, 2016	Expense	May 31, 2017	May 31, 2017	Nov 30, 2016
Adeeva	\$ 110,000	\$ -	\$ 110,000	\$ 29,792	\$ 41,708	\$ 71,500	\$ 38,500	\$ 80,208
Total	\$ 110,000	\$ -	\$ 110,000	\$ 29,792	\$ 41,708	\$ 71,500	\$ 38,500	\$ 80,208

7. Customer Relationships

	Cost			Accumulated Amortization			Net Balance	
	Nov 30, 2016	Acquisition/ Disposal	May 31, 2017	Nov 30, 2016	Expense	May 31, 2017	May 31, 2017	Nov 30, 2016
Logitek	\$482,355	\$ -	\$482,355	\$ 383,143	\$ 42,937	\$ 426,080	\$56,276	\$ 99,212
SOMOS	430,209	-	430,209	361,040	11,809	372,849	57,360	69,169
Inforica	500,000	-	500,000	300,000	58,333	358,333	141,667	200,000
Antian	63,097	-	63,097	34,179	6,310	40,489	22,608	28,918
Adeeva	170,000	-	170,000	94,917	15,583	110,500	59,500	75,083
Stroma	660,000	-	660,000	341,000	55,000	396,000	264,000	319,000
Paradigm	5,650,000	-	5,650,000	2,260,000	565,000	2,825,000	2,825,000	3,390,000
Maplesoft	4,090,000	-	4,090,000	818,000	409,000	1,227,000	2,863,000	3,272,000
SEB Adm	-	200,000	200,000	-	6,667	6,667	193,333	-
Total	\$ 12,045,661	\$ 200,000	\$ 12,245,661	\$ 4,592,279	\$ 1,170,638	\$ 5,762,917	\$ 6,482,744	\$ 7,453,382

8. Trade Names

	Cost			Accumulated Amortization			Net Balance	
	Nov 30, 2016	Acquisition/ Disposal	May 31, 2017	Nov 30, 2016	Expense	May 31, 2017	May 31, 2017	Nov 30, 2016
Logitek	\$ 283,500	\$ -	\$ 283,500	\$ 217,350	\$ 33,075	\$ 250,425	\$ 33,075	66,150
SOMOS	388,000	-	388,000	291,000	45,267	336,267	51,733	97,000
Inforica	270,000	-	270,000	162,000	31,500	193,500	76,500	108,000
Adeeva	300,000	-	300,000	167,500	27,500	195,000	105,000	132,500
Stroma	260,000	-	260,000	134,331	21,669	156,000	104,000	125,669
Paradigm	1,280,000	-	1,280,000	512,000	128,000	640,000	640,000	768,000
Maplesoft	4,950,000	-	4,950,000	990,000	495,000	1,485,000	3,465,000	3,960,000
Total	\$ 7,731,500	\$ -	\$ 7,731,500	\$ 2,474,181	\$ 782,011	\$ 3,256,192	\$ 4,475,308	\$ 5,257,319

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9. Bank Indebtedness

On April 20, 2017, the Company consolidated its two bank operating facilities into one facility obtained from a major Canadian Bank, and obtained term financing from the same bank to repay existing short term debt and convertible notes.

Facilities in Place Prior to April 20, 2017

Paradigm Facility

On March 10, 2015, credit facilities were obtained by Paradigm Consulting Group Inc. ("Paradigm") with a major Canadian bank.

The facilities consisted of:

- i. a \$4,200,000 term loan acquisition facility which bore interest at the bank's prime rate plus 1.75%, payable monthly in arrears. The loan principal was repayable over a 48-month term in equal monthly instalments of \$87,500 plus an annual payment equal to 50% of annual free cash flows.
- ii. a \$3,000,000 operating demand facility, bearing interest at the bank's prime rate plus 0.75% to 1.75%.

Paradigm's credit facilities were secured by a first charge over all the assets of Paradigm, contained positive, and negative financial covenants, and included other usual and customary terms and conditions. The Company and Paradigm provided guarantees pursuant to the credit facilities.

Maplesoft Facility

On July 8, 2016, Maplesoft expanded an existing credit facility with a major international asset based lender in the amount of up to \$12,500,000 (the "Maplesoft Facility"). The borrowers under the Maplesoft Facility were Maplesoft Group Inc., Somos Consulting Group Ltd, APS - Antian Professional Services Inc. and Logitek Technology Ltd.

The facility had a two-year term and bore interest at the greater of 0.5% or the one-month U.S. Dollar London Interbank Offered Rate, plus 6.5% per annum. The amount available under the facility was based on the billed and un-billed accounts receivable of the borrowers. The Maplesoft Facility was secured by a first charge over all the assets of certain subsidiaries of the Company, contained positive, negative and financial covenants, and included other usual and customary terms and conditions. SEB provided a guarantee under the facility.

Facilities in Place After April 20, 2017

Technology Division Facilities

On April 20, 2017, the Technology Division of the Company obtained from a major Canadian bank new credit facilities to consolidate the Paradigm and Maplesoft facilities and to repay short term debt and convertible debt.

The facilities obtained were:

1. An operating demand facility of up to \$12,000,000, the amount available determined by the accounts receivable of the borrowers. The interest rate is the bank's prime rate plus 1.5%, payable monthly in arrears;
2. A \$5,500,000 term loan facility (Term Loan "A"), which bears interest at the bank's prime rate plus 2%, payable monthly in arrears. The principal is being repaid over a 4-year term by equal monthly

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10. Deferred Revenue

Deferred Revenue is a combination of annual licence fee payments for software and advance payments from clients for training courses. Amounts are recognized as revenue in accordance with the Company's revenue recognition policy.

11. Equipment Leases Payable

The Company has an obligation under a capital lease as follows:

Maturity	May 31, 2017	Feb 28, 2017	Nov 30, 2016
Aug, 2018	\$ 9,368	\$ 9,999	\$ 13,934
Current portion	3,661	3,661	6,786
Long term portion	5,707	6,338	7,148
	<u>\$ 9,368</u>	<u>\$ 9,999</u>	<u>\$ 13,934</u>

Smart Employee Benefits Inc.

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12. Convertible Debt

Maturity Date	Conversion Price	Face Value of Notes				Equity Component of Notes				Accreted Interest		Balance		
		Nov 30,		Mar 31,		Nov 30,		Mar 31,		Bal May 31,		Nov 30,		
		2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	
(1) Dec 31, 2016	\$0.30	970,000	(970,000)	(533,334)	533,334	-	-	635,946	(635,946)	-	-	-	-	970,000
(2) Dec 31, 2016	\$0.30	1,000,000	-	(307,136)	-	(307,136)	692,864	307,136	-	-	307,136	1,000,000	1,000,000	1,000,000
(3) Dec 31, 2016	\$0.30	190,000	-	(57,946)	-	(57,946)	132,054	57,946	-	-	57,946	190,000	190,000	190,000
(4) Jun 6, 2017	\$0.70	83,334	-	(80,802)	55,287	(25,515)	57,819	61,961	(55,287)	12,642	19,316	77,135	64,493	64,493
(5) Dec 30, 2017	\$0.50	1,106,390	(368,428)	(382,286)	127,292	(254,994)	482,968	224,140	(127,292)	56,036	152,884	635,852	948,244	948,244
(6) Feb 6, 2018	\$0.75	651,858	-	(303,437)	-	(303,437)	348,421	208,686	-	29,332	238,018	586,459	557,107	557,107
(7) Mar 18, 2019	\$0.75	151,916	(33,289)	(96,230)	29,578	(66,652)	51,975	79,199	(29,578)	12,346	61,967	113,942	134,886	134,886
Totals		\$ 4,153,498	\$(1,371,717)	\$(1,761,171)	\$ 745,491	\$(1,015,680)	\$ 1,766,101	\$ 1,575,014	\$(848,103)	\$ 110,356	\$ 837,267	\$ 2,603,369	\$ 3,864,730	\$ 3,864,730
Current portion of convertible debt													\$ 2,547,368	\$ 2,224,492
Long term portion of convertible debt													56,001	1,640,238
													\$ 2,603,369	\$ 3,864,730

Smart Employee Benefits Inc.

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May 31, 2017

12. Convertible Debt (continued)

- 1) On February 14, 2014, the Company closed a financing of \$2,000,000 of secured promissory notes with a term of two years, paying 8% interest. The notes were convertible into common shares of the Company at \$0.50 per share during the first year, and \$0.60 during the second year. The Company paid legal fees of \$42,591 and finder's fees of \$205,600 and 320,000 finder's warrants, exercisable at \$0.50 per share for a period of three years.

During fiscal 2015, \$50,000 of the notes were converted. In Q1, 2016 the maturity date was extended to August 12, 2016 and the interest rate was amended to 10%. In Q3, 2016 the Company further extended the maturity date to December 31, 2016. As part of the second extension, the interest rate was increased to 12%, the conversion price was amended to \$0.30 per share and the noteholders agreed to waive security against the Company's shares of Banyan Work Health Solutions Inc. and BITS Licensing Inc. During Fiscal 2016, \$10,000 of the notes were converted and \$970,000 was repaid. In Q1, 2017, a further \$436,667 was repaid. In Q2, 2017, \$250,000 was repaid, while \$283,333 is being held in trust by a major financial institution as part of the new bank debt financing described in Note 9.

- 2) On May 14, 2013, the Company completed a private placement offering of \$1,025,000 units (the "Units"). Each Unit consisted of a \$1.00 convertible secured promissory note with a term of three years, paying 9.75% interest convertible into the common shares of the Company at \$0.50 per share during the first year, \$0.60 during the second year, and \$0.75 per share during the third year and one common share purchase warrant exercisable at \$0.50 for a period of one year. The Company paid legal fees of \$27,630 and finder's fee of \$60,000. The notes were subscribed to by two Directors of the Company.

In Q3, 2016 the Company extended the maturity date to December 31, 2016. As part of the extension, the interest rate was increased to 12%, the conversion price was amended to \$0.30 per share and the noteholders agreed to waive security against the Company's shares of Banyan Work Health Solutions Inc. and BITS Licensing Inc. During Fiscal 2016, \$25,000 of the notes were repaid.

- 3) On September 6, 2013, the Company completed a private placement offering of \$250,000 units (the "Units"). Each Unit consisted of a \$1.00 convertible secured promissory note maturing on May 13, 2016, paying 9.75% interest convertible into the common shares of the Company at \$0.50 per share until May 13, 2014, \$0.60 per share until May 13, 2015, and \$0.75 per share until May 13, 2016 and one common share purchase warrant exercisable at \$0.50 until May 13, 2014. The Company paid legal fees of \$8,540.

In Q3, 2016 the Company extended the maturity date to December 31, 2016. As part of the extension, the interest rate was increased to 12%, the conversion price was amended to \$0.30 per share and the noteholders agreed to waive security against the Company's shares of Banyan Work Health Solutions Inc. and BITS Licensing Inc. During Fiscal 2016, \$60,000 of the notes were repaid.

- 4) On June 6, 2014, the Company closed the acquisition of Stroma Service Consulting Inc. Part of the purchase price was \$250,000 in promissory notes, payable in equal annual installments over three years. The notes pay 3.0% interest, and are convertible into the common shares of the Company at \$0.50 per share during the first year, \$0.60 during the second year, and \$0.70 per share during the third year. The annual payments of \$83,333 were made in both fiscal 2015 and 2016.
- 5) On December 31, 2014, the Company closed the acquisition of Paradigm Consulting Group Inc. and PCGI Consulting Services Partnership. Part of the purchase price was \$1,106,390 in promissory notes, with one third of the outstanding principal payable at the end of year two and the balance payable at

Smart Employee Benefits Inc.

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May 31, 2017

12. Convertible Debt (continued)

the end of year three. The notes pay 3.0% interest, and are convertible into the common shares of the Company at \$0.50 per share until maturity. On December 31, 2016, the Company repaid \$368,428.

- 6) On February 6, 2013, the Company closed the acquisition of Logitek Technology Ltd. As part of the transaction and in order to retire \$651,858 of debt owing by Logitek, the Company issued \$651,858 in promissory notes with a term of five years. The notes pay 3.0% interest, and are convertible into the common shares of the Company at \$0.45 per share during the first year, \$0.55 during the second year, \$0.65 per share during the third year, \$0.70 during the fourth year, and \$0.75 per share during the fifth year.
- 7) On March 18, 2014, the Company closed the acquisition of APS - Antian Professional Services Inc. Part of the purchase price was \$324,482 in promissory notes with blended quarterly payments of \$17,547 over a term of five years. The notes pay 3.0% interest, and are convertible into the common shares of the Company at \$0.75 per share until maturity. Repayments of \$172,566 in principal have been made in accordance the schedule until the end of fiscal 2016. An additional \$33,289 has been repaid in fiscal 2017.

13. Notes payable

	May 31, 2017	Nov 30, 2016
(1) Advance from Chairman of the Board	\$ 1,000,000	\$ 1,500,000
(2) Advance from Executives	152,778	501,560
Accrued interest	386,568	323,482
(3) Loan assumed on Maplesoft acquisition, matured March 31, 2017, interest rate of 12% per annum	-	2,410,000
(3) Loan assumed on Maplesoft acquisition, matured March 7, 2017, interest rate of 12% per annum	-	2,650,000
(3) Loan assumed on Maplesoft acquisition, matured March 7, 2017, interest rate of 13% per annum	-	948,720
(3) Loan assumed on Maplesoft acquisition, matured December 31, 2016, interest rate of 10% per annum	-	865,000
(4) Loan assumed on Maplesoft acquisition, maturing December 24, 2019 interest rate of 11% per annum	1,371,510	1,826,510
Other	60,382	23,011
Notes payable	\$ 2,971,238	\$ 11,048,283
Short-term notes payable	1,599,728	9,215,997
Long-term notes payable	1,371,510	1,832,286
	\$ 2,971,238	\$ 11,048,283

- 1) The advance from the Chairman of the Board is due on demand and bears interest at 12% per annum. During Q2, 2017, the Company repaid \$500,000 against principal. As at May 31, 2017, the Company has accrued interest of \$386,568.

Smart Employee Benefits Inc.

Notes to Unaudited Interim Consolidated Financial Statements

May 31, 2017

13. Notes payable (continued)

- 2) The President provided direction to the Company in Q1, 2017 to apply the advance noted above (November 30, 2016 balance \$501,560) and accrued interest towards Tranche 2 of the \$5 million unit offering announced in Q4, 2016.
- 3) During Q2, 2017, the Company repaid \$7,277,394 of loans assumed in the acquisition of Maplesoft.
- 4) During Q2, 2017, the Company repaid \$455,000 of this loan.

14. Share Capital

(a) **Authorized**

Unlimited number of common shares

(b) **Common shares issued and outstanding**

	Number of shares	Amount \$
Balance November 30, 2016	109,673,574	24,937,594
Private placement	16,762,115	3,352,423
Warrants issued in private placement	-	(860,449)
Balance February 28, 2017	126,435,689	27,429,568
(1) Private placement	4,775,000	955,000
Warrants issued in private placement	-	(307,890)
Balance May 31, 2017	131,210,689	28,076,678

1) During the quarter ending May 31, 2017, the Company closed an equity unit financing in 4 tranches at \$0.20 per unit. Each unit consists of one common share and one share purchase warrant, exercisable at \$0.30 per share for 18 months from date of issue.

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14. Share Capital (continued)

(c) Share purchase warrants

	Exercise Price	Expiry	Number of Warrants Outstanding				
			Feb 28, 2017 Outstanding	Issued	Expired / Cancelled	May 31, 2017 Outstanding Exercisable	
	\$ 0.40	Apr 29, 2017	600,000	-	(600,000)	-	-
	\$ 0.40	May 7, 2017	297,500	-	(297,500)	-	-
1	\$ 0.75	Oct 29, 2017	2,000,000	-	-	2,000,000	2,000,000
1	\$ 0.75	Oct 29, 2017	3,050,000	-	-	3,050,000	3,050,000
	\$ 0.75	Oct 29, 2017	6,000,000	-	(6,000,000)	-	-
1	\$ 0.75	Nov 6, 2017	950,000	-	-	950,000	950,000
	\$ 0.75	Dec 7, 2017	4,000,000	-	(4,000,000)	-	-
2	\$ 0.50	Jan 25, 2018	500,000	-	-	500,000	500,000
3	\$ 0.50	Feb 11, 2018	50,000	-	-	50,000	50,000
4	\$ 0.75	Mar 1, 2018	675,000	-	-	675,000	675,000
5	\$ 0.30	May 2, 2018	8,264,435	-	-	8,264,435	8,264,435
5	\$ 0.30	May 2, 2018	227,500	-	-	227,500	227,500
6	\$ 0.70	Jun 6, 2018	100,000	-	-	100,000	100,000
5	\$ 0.30	Jun 23, 2018	7,757,800	-	-	7,757,800	7,757,800
5	\$ 0.30	Jun 23, 2018	350,000	-	-	350,000	350,000
5	\$ 0.30	Aug 3, 2018	9,004,315	-	-	9,004,315	9,004,315
5	\$ 0.30	Aug 3, 2018	17,500	-	-	17,500	17,500
7	\$ 0.30	Sep 23, 2018	-	1,125,000	-	1,125,000	1,125,000
7	\$ 0.30	Sep 30, 2018	-	2,500,000	-	2,500,000	2,500,000
7	\$ 0.30	Oct 28, 2018	-	900,000	-	900,000	900,000
7	\$ 0.30	Oct 28, 2018	-	21,000	-	21,000	21,000
7	\$ 0.30	Nov 30, 2018	-	250,000	-	250,000	250,000
8	\$ 0.50	Nov 4, 2018	445,000	-	-	445,000	296,667
9	\$ 0.50	Feb 27, 2019	1,000,000	-	-	1,000,000	666,667
10	\$ 0.30	Apr 20, 2019	-	342,700	-	342,700	342,700
11	\$ 0.50	Dec 1, 2020	1,000,000	-	-	1,000,000	500,000
			46,289,050	5,138,700	(10,897,500)	40,530,250	39,548,584
	Weighted avg exercise price		\$ 0.46	\$ 0.30	\$ 0.72	\$ 0.39	\$ 0.35

- 1) On October 29, 2014 and November 6, 2014, the Company closed Equity Unit financings totaling \$3,000,000. The Equity Units were issued at \$0.50 per unit and consisted of one common share and one common share purchase warrant exercisable for a period of 36 months at \$0.60 per share for year one and year two and \$0.75 per share for year three. As part of the financing, SEB also issued 200,000 finders' warrants exercisable at \$0.50 per share for a period of 24 months.
- 2) On January 25, 2016, as part of the financing to acquire Paradigm, SEB issued 500,000 finders' warrants. The warrants have a term of 24 months and are exercisable at \$0.50 per share.

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14. Share Capital (continued)

- 3) On February 11, 2015, as part of the financing to acquire 50% of SEB Benefits & HR Consulting Inc., SEB issued 50,000 share purchase warrants. The warrants have a term of 36 months, vested 25% every six months, and are exercisable at \$0.50 per share.
- 4) On March 1, 2013, as part of the financing to acquire SOMOS Consulting Group Ltd., SEB issued 1,000,000 share purchase warrants. The warrants have a term of 60 months and an escalating exercise price every 12 months of \$0.45, \$0.55, \$0.65, \$0.70 and \$0.75 during the term.
- 5) On November 2, 2016, December 23, 2016 and February 3, 2017, the Company closed Equity Unit financings totaling \$5,005,310. The Equity Units were issued at \$0.20 per unit and consisted of one common share and one common share purchase warrant exercisable for a period of 18 months at \$0.30 per share. As part of the financing, SEB also issued 895,000 finders' warrants exercisable at \$0.30 per share for a period of 18 months.
- 6) On June 6, 2014, as part of the transaction to acquire Stroma Service Consulting Inc., SEB issued 1,000,000 share purchase warrants to Stroma's employees. The warrants have a term of 48 months and an escalating exercise price every 12 months of \$0.50, \$0.55, \$0.60 and \$0.70 during the term.
- 7) On March 23, 2017, March 30, 2017, April 28, 2017 and May 31, 2017, the Company closed Equity Unit financings totaling \$955,000. The Equity Units were issued at \$0.20 per unit and consisted of one common share and one common share purchase warrant exercisable for a period of 18 months at \$0.30 per share. As part of the financing, SEB also issued 21,000 finders' warrants exercisable at \$0.30 per share for a period of 18 months.
- 8) On November 4, 2014, as part of the transaction to acquire 50% of Banyan Work Health Solutions Inc. and BITS Licensing Inc., SEB issued 1,000,000 share purchase warrants to Banyan's employees. The warrants have a term of 48 months, vest one third at the end of each year and are exercisable at \$0.50. During year ended November 30, 2016, the Banyan transaction was unwound and 555,000 of the share purchase warrants were cancelled.
- 9) On February 27, 2015, as part of the transaction to acquire Paradigm Consulting Group Inc. and PCGI Consulting Services Partnership, SEB issued 1,000,000 share purchase warrants to Paradigm's employees. The warrants have a term of 48 months, vest one sixth every six months and are exercisable at \$0.50.
- 10) On April 20, 2017, the Company acquired from its subsidiary Maplesoft Consulting Inc. a convertible debt payable to a third party in the amount of \$1,826,510. As part of the transaction, the Company issued 342,700 share purchase warrants to the debt-holder. The warrants have a term of 24 months and are exercisable at \$0.30 each.
- 11) On December 1, 2015, as part of the transaction to acquire Maplesoft Group Inc., SEB issued 1,000,000 share purchase warrants to Maplesoft's employees. The warrants have a term of 48 months, vest one-eighth every six months, and are exercisable at \$0.50.

Smart Employee Benefits Inc.

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May 31, 2017

14. Share Capital (continued)

(d) Share purchase options

The SEB stock option plan (the “Plan”) is administered by the Board of Directors of the Company which establishes the exercise prices, vesting conditions and expiry date of the options. The number of common shares reserved for issuance under the Plan at May 31, 2017 is 13,121,069. At May 31, 2017, the Company had 8,940,000 options issued and outstanding.

Exercise Price	Expiry	Feb 28, 2017	Issued	Expired / Cancelled	May 31, 2017	
		Outstanding	Total	Total	Outstanding	Exercisable
\$ 0.58	Mar 31, 2017	130,000	-	(130,000)	-	-
\$ 0.58	Mar 31, 2017	100,000	-	(100,000)	-	-
1 \$ 0.42	Jul 24, 2017	250,000	-	-	250,000	250,000
2 \$ 0.50	Sep 5, 2017	200,000	-	-	200,000	200,000
3 \$ 0.50	Oct 23, 2017	500,000	-	-	500,000	500,000
4 \$ 0.50	Oct 24, 2017	1,400,000	-	(1,400,000)	-	-
5 \$ 0.50	Oct 24, 2017	600,000	-	(600,000)	-	-
6 \$ 0.30	Oct 24, 2017	-	1,000,000	-	1,000,000	1,000,000
7 \$ 0.50	Mar 24, 2018	350,000	-	-	350,000	350,000
8 \$ 0.30	May 31, 2018	850,000	-	-	850,000	800,000
9 \$ 0.60	Jun 11, 2018	900,000	-	-	900,000	900,000
10 \$ 0.30	Jul 28, 2018	500,000	-	(400,000)	100,000	100,000
11 \$ 0.30	Jul 28, 2018	300,000	-	-	300,000	300,000
12 \$ 0.40	Jan 18, 2019	200,000	-	-	200,000	200,000
13 \$ 0.30	Mar 24, 2019	400,000	-	-	400,000	240,000
14 \$ 0.30	Mar 24, 2019	290,000	-	-	290,000	174,000
15 \$ 0.30	Apr 26, 2019	100,000	-	-	100,000	60,000
16 \$ 0.20	May 3, 2019	-	100,000	-	100,000	-
17 \$ 0.30	May 3, 2019	-	300,000	-	300,000	-
18 \$ 0.30	May 31, 2019	100,000	-	-	100,000	50,000
19 \$ 0.30	May 3, 2020	-	500,000	-	500,000	125,000
19 \$ 0.30	May 3, 2020	-	600,000	-	600,000	150,000
20 \$ 0.30	May 3, 2020	-	500,000	-	500,000	-
21 \$ 0.30	May 3, 2020	-	500,000	-	500,000	-
22 \$ 0.30	May 31, 2021	150,000	-	-	150,000	50,000
23 \$ 0.30	Jul 28, 2021	750,000	-	-	750,000	250,000
		8,070,000	3,500,000	(2,630,000)	8,940,000	5,699,000
Weighted avg exercise price		\$ 0.42	\$ 0.30	\$ 0.48	\$ 0.36	\$ 0.40

- 1) On July 24, 2014, the Company granted 250,000 options to consultants. The options have a 36 month term, vest 25% every six months from the grant date and are exercisable at \$0.42 per share.

Smart Employee Benefits Inc.

Notes to Unaudited Interim Consolidated Financial Statements

May 31, 2017

14. Share Capital (continued)

- 2) On September 5, 2014, the Company granted 200,000 options to employees. The options have a 36 month term, vest 25% every six months from the grant date and are exercisable at \$0.50 per share.
- 3) On October 23, 2014, the Company granted 600,000 options to the Independent Directors. The options have a 36 month term, 20% vest immediately and the remainder vest 20% every three months and are exercisable at \$0.50 per share. 100,000 options were cancelled in fiscal 2016 due to a resignation.
- 4) On October 24, 2014, the Company granted 1,400,000 options to a consultant. The options had a 36 month term, vested 1,000,000 on issue and 400,000 after six months, and were exercisable at \$0.50 per share. During the second quarter, 2017 the options were cancelled.
- 5) On October 24, 2014, the Company granted 600,000 options to the CEO. The options had a 36 month term, vested on issue and were exercisable at \$0.50 per share. During the second quarter, 2017 the options were cancelled.
- 6) On May 3, 2017, the Company granted 1,000,000 options to a consultant. The options have a term of slightly more than a six months, vest on issue and are exercisable at \$0.30 per share.
- 7) On March 24, 2016, the Company granted 350,000 options to Advisory Board members. The options have a 24 month term, vest 50% every six months and are exercisable at \$0.50 per share.
- 8) On May 31, 2016, the Company granted 850,000 options to consultants. The options have a 24 month term, vest 350,000 immediately, 250,000 in six months, 200,000 in 12 months, and 50,000 in 18 months, and are exercisable at \$0.30 per share.
- 9) On January 20, 2015, the Company granted 900,000 options to employees. The options have a 42 month term, vest immediately and are exercisable at \$0.50 to June 11, 2015; \$0.55 to June 11, 2016; \$0.60 to June 11, 2017; and \$0.70 to June 11, 2018.
- 10) On July 28, 2016, the Company granted up to 500,000 options to a consultant. The options have a 24 month term, vest 100,000 immediately and 400,000 conditionally and are exercisable at \$0.30 per share. During the second quarter, the 400,000 conditional options were cancelled.
- 11) On July 28, 2016, the Company granted 300,000 options to a consultant. The options have a 24 month term, vest immediately and are exercisable at \$0.30 per share.
- 12) On January 18, 2016, the Company granted 200,000 options to a consultant. The options have a 36 month term, vest 50,000 every three months and are exercisable at \$0.40 per share.
- 13) On March 24, 2016, the Company granted 400,000 options to employees. The options have a 36 month term, vest 20% immediately and 20% every six months and are exercisable at \$0.30 per share.

Smart Employee Benefits Inc.

Notes to Unaudited Interim Consolidated Financial Statements

May 31, 2017

- 14) On March 24, 2016, the Company granted 290,000 options to employees. The options have a 36 month term, vest 20% immediately and 20% every six months and are exercisable at \$0.30 per share.
- 15) On April 26, 2016, the Company granted 100,000 options to an employee. The options have a 36 month term, vest 20% immediately and 20% every six months and are exercisable at \$0.30 per share.
- 16) On May 3, 2017, the Company granted 100,000 options to a consultant. The options have a 24 month term, vest 25% every six months and are exercisable at \$0.20 per share.
- 17) On May 3, 2017, the Company granted 300,000 options to a consultant. The options have a 24 month term, vest 25% every six months and are exercisable at \$0.30 per share.
- 18) On May 31, 2016, the Company granted 100,000 options to an employee. The options have a 36 month term, vest 25% every six months and are exercisable at \$0.30 per share.
- 19) On May 3, 2017, the Company granted 1,100,000 options to various employees and consultants. The options have a 36 month term, vest 25% immediately, 25% every six months and are exercisable at \$0.30 per share.
- 20) On May 3, 2017, the Company granted 500,000 options to various employees and consultants. The options have a 36 month term, vest 25% every six months and are exercisable at \$0.30 per share.
- 21) On May 3, 2017, the Company granted 500,000 options to the Independent Directors. The options have a 36 month term, vest 25% every six months and are exercisable at \$0.30 per share.
- 22) On May 31, 2016, the Company granted 150,000 options to an employee. The options have a 60 month term, vest 25,000 every six months and are exercisable at \$0.30 per share.
- 23) On July 28, 2016, the Company granted 750,000 options to an employee. The options have a 60 month term, vest 125,000 in three months and 125,000 every six months thereafter and are exercisable at \$0.30 per share.

(e) Loss per Share

The weighted average number of common shares outstanding for the quarter ending May 31, 2017 was 129,287,048 (103,413,661 for the quarter ending May 31, 2016).

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

15. Financial Instruments

Fair Values

The carrying value of cash and cash equivalents, accounts receivable, notes receivable, bank loan, accounts payable and accrued liabilities, equipment loans and leases payable, and notes payable are considered representative of their respective fair values.

Credit Risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. For financial assets, this is typically the gross carrying amount, net of any amounts offset and any impairment losses. In the normal course of business, the Company is exposed to credit risk from its customers and the related accounts receivable are subject to normal industry credit risk. To mitigate this risk the Company reviews the creditworthiness of material new customers, monitors customer payment performance and, where appropriate, reviews the financial condition of existing customers. The Company establishes an allowance for doubtful accounts that corresponds to the specific credit risk of its customers and economic circumstances.

As at May 31, 2017, the allowance for doubtful accounts was \$13,621 (November 30, 2016 - \$383,589). \$158,695 bad debt expense of fiscal year 2016 was recovered in Q2, 2017.

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. A portion of 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 \$278,032 (2016 - \$283,482 for the six month ending May 31, 2016).

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations such as accounts payable out of cash. The Company's future liquidity is dependent on factors such as the ability to generate cash from operations and to raise money through debt or equity financing. The Company has disclosed in Note 2 to these consolidated financial statements the existence of circumstances which cast significant doubt on its ability to continue as a going concern.

Smart Employee Benefits Inc.

Notes to Unaudited Interim Consolidated Financial Statements

May 31, 2017

15. Financial Instruments (continued)

Major Debt maturity schedule at May 31, 2017

	Notes payable (Note 13)	Convertible debt ⁽¹⁾ (Note 12)	Equipment lease (Note 11)	Term Bank loan ⁽²⁾ (Note 9)	Total
Fiscal 2017	1,599,728	1,273,334	3,661	920,000	3,796,723
Fiscal 2018	-	1,389,820	5,707	1,375,000	2,770,527
Fiscal 2019	-	118,627	-	1,375,000	1,493,627
Fiscal 2020	1,371,510	-	-	1,375,000	2,746,510
Fiscal 2021	-	-	-	455,000	455,000
Fiscal 2022	-	-	-	5,000,000	5,000,000
	\$ 2,971,238	\$ 2,781,781	\$ 9,368	\$ 10,500,000	\$ 16,262,387

(1) Face value of convertible debentures.

(2) Term loan scheduled repayment dates

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.

Smart Employee Benefits Inc.

Notes to Unaudited Interim Consolidated Financial Statements

May 31, 2017

16. Capital Management

The Company's capital consists of share capital, share issue costs, contributed surplus, options and warrants. The Company's capital management objectives are to safeguard its ability to continue as a going concern (see Note 2) 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 equity 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.

17. Related Party Transactions and Balances

Key Management Compensation

Two officers of the Company, one acting in the capacity of President and Chief Executive Officer and the other acting in a capacity of Chief Financial Officer, Chief Operating Officer and Corporate Secretary, were paid management fees during the three months and six months of \$135,750 and \$271,500 (\$134,000 and \$268,000 for the three months and six months of 2016). The President and Chief Executive Officer is also a Director of the Company.

Advances to and from Directors

On December 19, 2014, the Company received an advance of \$1,500,000 from a Director of the Company in the form of a short-term note (Note 13). The Company has recorded accrued interest of \$386,568 payable on the advance included in the balance of short-term notes. The note is due on demand and bears interest at 12% per annum. In Q2, 2017 \$500,000 of the note was repaid.

Notes Receivable

The notes receivable consist of loans to the former shareholders of Maplesoft made prior to the acquisition. These individuals continue in their roles as executives of Maplesoft. These loans are secured by the SEB shares and the performance incentive payments which form part of the consideration for the acquisition of Maplesoft Group Inc. as discussed in Note 4.

Notes Payable

Included in notes payable is \$152,778 loaned from an Executive. The note is due on demand and bears interest at 10% per annum.

Director Fees

Director fees for the Company were \$57,375 and \$92,250 for the three and six months ending May 31, 2017 (\$68,500 and \$112,375 for the three and six months ending May 31, 2016). At May 31, 2017 accrued Directors' fees were \$365,625 (November 30, 2016 - \$273,375).

Director/Officer stock-based compensation expense was \$3,210 and \$3,210 for three months and six months ended May 31, 2017 (\$7,472 and \$7,472 for the three and six months ending May 31, 2016).

Smart Employee Benefits Inc.

Notes to Unaudited Interim Consolidated Financial Statements

May 31, 2017

18. Commitments and Contingencies

As at May 31, 2017, the Company had the following premise lease commitments:

	Premise leases
Fiscal 2017	576,628
Fiscal 2018	1,182,554
Fiscal 2019	628,753
Total	\$ 2,387,935

Software Licencing Agreement

On 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 to use the Adjudication Software in Canada; and (b) a perpetual, irrevocable, transferable and non-exclusive right to use the Adjudication Software outside Canada.

The terms of the Licence included an initial payment of \$500,000 and a royalty payment calculated 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. As of May 31, 2017 no amounts have been paid. The initial license payment is recorded as software and being amortized over 10 years (Note 6).

Legal Proceedings

As part of the acquisition of Maplesoft Group Inc., the Company has assumed liability for the outcome of any successful legal claims against Maplesoft. The Company has reviewed outstanding claims and believes that they will be settled with little or no payments by Maplesoft.

The claims consist of:

- Four claims filed against Maplesoft with regards to employment matters between October 16, 2013 and October 24, 2014, totaling \$546,111. Defences have been filed with Maplesoft denying any liability.

Smart Employee Benefits Inc.

Notes to Unaudited Interim Consolidated Financial Statements

May 31, 2017

18. Commitments and Contingencies (continued)

Legal Proceedings (continued)

- One claim of sexual assault against an employee of a department of the Canadian federal government, which is a client of Maplesoft. Maplesoft has been added as defendant as the plaintiff was at the time under contract to the federal government department through Maplesoft. The total claim is \$600,000 plus costs. Maplesoft has filed a notice of defence, denying any liability.

Litigation is subject to many uncertainties, and the outcome of these matters is not predictable with assurance. The Company, with the help of legal counsel, continues to defend these claims and believes that the likelihood of having to pay these claims is remote and unlikely.

In the ordinary course of operating the Company's business it may from time to time be subject to various claims or possible claims. Management is of the position that there are no claims or possible claims that if resolved would either individually or collectively result in a material adverse impact on the Company's financial position, results of operations, or cash flows. These matters are inherently uncertain and Management's view of these matters may change in the future.

19. Change in Non-Cash Working Capital

Changes in non-cash working capital are as follows:

	<i>Mar 1, 2017 to May 31, 2017</i>	<i>Mar 1, 2016 to May 31, 2016</i>	<i>Dec 1, 2016 to May 31, 2017</i>	<i>Dec 1, 2015 to May 31, 2016</i>
Accounts receivable	\$ (3,306,921)	\$ 707,373	\$ (5,367,345)	\$ (475,899)
Inventory	65,191	(224,559)	4,248	(233,508)
Prepays and deposits	(299,850)	208,238	(594,824)	(78,132)
Accounts payable and accrued liabilities	4,847,888	1,263,154	5,163,260	2,895,819
Deferred revenue	(84,982)	(231,010)	(93,335)	(160,977)
Government remittances and current taxes payable	92,403	(57,518)	(53,739)	(419,363)
Total	\$ 1,313,729	\$ 1,665,679	\$ (941,735)	\$ 1,527,941

20. Segment Disclosures

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

The Company has three reportable segments as follows:

- The Benefits Division provides software solutions, services and products focused on managing group benefit and wellness for corporate and government clients.

Smart Employee Benefits Inc.

Notes to Unaudited Interim Consolidated Financial Statements

May 31, 2017

20. Segment Disclosures (continued)

- The Technology Division provides solutions in the areas of supply chain management, integration and energy, as well as resource provisioning and training. It also supports the Benefits Division's technical infrastructure.
- The Corporate office does not represent an operating segment and is included for informational purposes only. Corporate office expenses consist of public company costs, office and administrative costs, as well as salaries, share-based compensation and other expenses pertaining to corporate employees.

Smart Employee Benefits Inc.

Notes to Unaudited Interim Consolidated Financial Statements

May 31, 2017

20. Segment Disclosures (continued)

	As at May 31, 2017			
	Benefits	Technology	Corporate	Total
Statement of Financial Position				
Current assets	\$ 2,363,493	\$ 21,544,093	\$ 953,753	\$ 24,861,339
Long term note receivable	-	3,377,257	-	3,377,257
Long term deposits	-	-	93,412	\$ 93,412
Equipment	70,631	870,943	8,405	949,979
Software	1,287,609	447,950	-	1,735,559
Customer relationships	252,833	6,229,911	-	6,482,744
Trade names	105,000	4,370,308	-	4,475,308
Intellectual property	38,500	-	-	38,500
Goodwill	833,544	14,879,780	-	15,713,324
Total assets	\$ 4,951,610	\$ 51,720,241	\$ 1,055,570	\$ 57,727,422
Current liabilities	4,348,076	27,988,496	8,082,548	40,419,120
Total liabilities	\$ 4,348,076	\$ 39,242,696	\$ 12,481,848	\$ 56,072,621

For three months ended May 31, 2017				
Statement of Comprehensive Loss				
Revenues	\$ 2,251,992	\$ 24,621,287	\$ -	\$ 26,873,279
Cost of revenues	(149,055)	(19,459,933)	-	(19,608,988)
Operating costs	(2,153,312)	(3,486,515)	(875,435)	(6,515,262)
Operating income (loss)	(50,375)	1,674,839	(875,435)	749,029
Transition costs	978,882	-	-	978,882
Interest and financing fees	15,687	457,876	175,276	648,839
Transaction costs	121,722	803,924	-	925,646
Share-based compensation	-	-	104,578	104,578
Amortization and Depreciation	69,339	1,168,344	411	1,238,095
Accretion of interest	-	-	55,178	55,178
Income tax	-	88	-	88
Net comprehensive loss	\$ (1,236,006)	\$ (755,393)	\$ (1,210,878)	\$ (3,202,277)

For six months ended May 31, 2017				
Statement of Comprehensive Loss				
Revenues	\$ 2,705,636	\$ 47,315,602	\$ -	\$ 50,021,238
Cost of revenues	(363,333)	(38,673,220)	-	(39,036,553)
Operating costs	(2,900,174)	(6,024,894)	(1,251,135)	(10,176,203)
Operating income (loss)	(557,871)	2,617,488	(1,251,135)	808,483
Transition costs	978,882	-	-	978,882
Interest and financing fees	19,095	907,881	223,950	1,150,926
Transaction costs	301,561	1,140,640	-	1,442,201
Share-based compensation	-	-	159,450	159,450
Amortization and Depreciation	175,536	2,195,193	411	2,371,140
Accretion of interest	-	-	110,356	110,356
Income tax	-	722	-	722
Net comprehensive loss	\$ (2,032,945)	\$ (1,626,948)	\$ (1,745,301)	\$ (5,405,195)

Smart Employee Benefits Inc.

Notes to Unaudited Interim Consolidated Financial Statements

May 31, 2017

20. Segment Disclosures (continued)

	As at May 31, 2016			
	Benefits	Technology	Corporate	Total
Statement of Financial Position				
Current assets	\$ 464,334	\$ 22,873,070	\$ 375,377	\$ 23,712,781
Long term deposits	-	-	140,146	140,146
Equipment	13,462	837,224	-	850,686
Software	1,233,845	713,683	-	1,947,528
Customer relationships	43,083	9,433,865	-	9,476,948
Trade names	162,500	4,112,969	-	4,275,469
Intellectual property	70,583	-	-	70,583
Goodwill	733,544	14,856,765	-	15,590,309
Assets held by discontinued operations	2,643,452	-	-	2,643,452
Total assets	\$ 5,364,802	\$ 52,827,576	\$ 515,523	\$ 58,707,902
Current liabilities	1,085,152	29,139,003	9,098,381	39,322,536
Total liabilities	\$ 1,085,152	\$ 34,663,313	\$ 16,846,435	\$ 52,594,900

For three months ended May 31, 2016

Statement of Comprehensive income (Loss)				
Revenues	\$ 376,762	\$ 24,768,080	\$ -	\$ 25,144,842
Cost of revenues	(179,847)	(20,227,664)	-	(20,407,511)
Operating costs	(611,191)	(2,596,867)	(534,846)	(3,742,904)
Operating income (loss)	(414,276)	1,943,549	(534,846)	994,427
Interest and financing fees	(30,718)	562,707	161,428	693,417
Transaction costs	-	248,017	47,950	295,967
Share-based compensation	-	-	108,972	108,972
Amortization and Depreciation	103,346	969,106	-	1,072,452
Accretion of interest	-	-	70,826	70,826
Income Tax	-	1,140	-	1,140
Net income (loss) before discontinued operations	(486,904)	162,579	(924,022)	(1,248,347)
Net income from discontinued operations, net of tax	187,069	-	-	187,069
Net comprehensive income (loss)	\$ (299,835)	\$ 162,579	\$ (924,022)	\$ (1,061,278)

For six months ended May 31, 2016

Statement of Comprehensive Loss				
Revenues	\$ 735,078	\$ 47,777,582	\$ -	\$ 48,512,660
Cost of revenues	(352,400)	(39,201,220)	-	(39,553,620)
Operating costs	(1,208,587)	(5,126,570)	(1,452,182)	(7,787,339)
Operating income (loss)	(825,909)	3,449,792	(1,452,182)	1,171,701
Interest and financing fees	6,168	1,140,557	356,232	1,502,957
Transaction costs	-	565,744	47,950	613,694
Share-based compensation	-	-	137,477	137,477
Amortization and Depreciation	188,580	1,991,788	-	2,180,368
Accretion of interest	-	-	260,330	260,330
Income Tax	-	1,140	-	1,140
Net loss before discontinued operations	(1,020,657)	(249,437)	(2,254,171)	(3,524,265)
Net income from discontinued operations, net of tax	36,272	-	-	36,272
Net comprehensive loss	\$ (984,385)	\$ (249,437)	\$ (2,254,171)	\$ (3,487,993)

Certain items previously reported have been reclassified to conform to the current year's reporting format

Smart Employee Benefits Inc.

Notes to Unaudited Interim Consolidated Financial Statements

May 31, 2017

21. Contingent Consideration Payable

	Current	Long term	May 31, 2017	Nov 30, 2016
(1) Inforica acquisition	\$ 3,322	\$ 64,902	\$ 68,224	\$ 68,224
(2) Adeeva acquisition	114,236	606,858	721,094	721,094
(3) Paradigm acquisition	1,512,194	330,213	1,842,407	1,842,407
(4) Maplesoft acquisition	-	1,045,090	1,045,090	1,045,090
	\$ 1,629,752	\$ 2,047,063	\$ 3,676,815	\$ 3,676,815

- 1) As part of the consideration for the Inforica acquisition the Company is obligated to pay to the preferred shareholders of Inforica a future royalty of 3.68% of energy revenue to a maximum aggregate payment of \$350,000. The Company paid \$50,805 in fiscal year 2017.
- 2) As part of the consideration for the Adeeva acquisition the Company is obligated to pay to the former debtholders of Adeeva a royalty of 1% of Adeeva sales and 3% of Adeeva gross margins to a maximum aggregate payment of \$1,000,000. No amount has been paid as of May 31, 2017.
- 3) As part of the consideration for the Paradigm acquisition the Company is obligated to pay up to \$1,774,179 at the end of year three following closing, subject to meeting a cumulative earnings before interest, income taxes, depreciation and amortization (“EBITDA”) of \$8,870,898 and \$591,393 to be paid at the end of year four following closing, subject to meeting a cumulative EBITDA of \$11,827,864. Based on the Fiscal 2016 year end valuation report provided by an independent valuator, the discounted value of the payment due within the next 12 months is estimated to be \$1,512,194.
- 4) As part of the consideration for the Maplesoft acquisition the Company agreed to pay to the former shareholders of Maplesoft at the end of five years an amount equal to 15% of the increase in the enterprise value of Maplesoft over that time period. Based on the Fiscal 2016 year end valuation report provided by an independent valuator, the discounted value of the liability is estimated to be \$1,045,090.

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

	Minimum	Maximum
Inforica acquisition	\$ 50,805	\$ 350,000
Adeeva acquisition	114,236	1,000,000
Paradigm acquisition	-	2,365,572
Maplesoft acquisition	-	1,500,000
	\$ 165,041	\$ 5,215,572

22. Reclassification

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

Smart Employee Benefits Inc.

Notes to Unaudited Interim Consolidated Financial Statements

May 31, 2017

23. Subsequent Events

Equity Private Placement

Subsequent to the second quarter the Company closed equity financings totaling \$1,159,300, consisting of common shares priced at \$0.16 each, with no warrants attached.