



Smart Employee Benefits Inc.

Unaudited Interim Consolidated Financial Statements

For the three and nine months ending August 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.

October 27, 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	Aug 31, 2017	Nov 30, 2016
Cash and cash equivalents		\$ 2,115,753	\$ 2,442,757
Accounts receivable		21,291,221	17,330,315
Inventory		298,729	247,817
Prepays and deposits		1,176,880	652,102
Total Current Assets		24,882,583	20,672,991
Long-term deposits		184,196	93,412
Notes receivable	17	3,507,086	3,153,179
Equipment	5	1,131,487	798,484
Software	6	2,088,780	1,778,535
Intellectual property	6	33,000	80,208
Customer relationships	7	5,870,461	7,453,382
Trade names	8	4,088,733	5,257,319
Goodwill	4	15,713,324	15,613,324
Total Assets		\$ 57,499,650	\$ 54,900,834
Bank loan	9	\$ 11,542,505	\$ 11,154,140
Current portion of term bank loan	9	1,375,000	1,050,000
Accounts payable and accrued liabilities		21,760,654	16,741,671
Deferred revenue	10	404,654	435,234
Notes payable	13,15,17	1,997,583	9,215,997
Equipment leases payable	11	67,107	6,786
Current portion of contingent consideration payable	21	117,558	27,475
Current portion of convertible debt	12	2,605,637	2,224,492
Total Current Liabilities		39,870,698	40,855,795
Equipment leases payable	11	113,090	7,148
Contingent consideration payable	21	3,559,257	3,649,340
Royalty Advance	22	1,600,000	-
Convertible debt	12	34,466	1,640,238
Term bank loan	9	8,781,250	1,226,000
Notes payable	13,15	1,421,486	1,832,286
Deferred income taxes		2,698,219	2,698,219
Preferred shares		350,000	350,000
Total Long Term Liabilities		18,557,768	11,403,231
Share capital	14	29,290,578	24,937,594
Share issue costs		(1,138,696)	(963,492)
Contributed surplus		5,934,949	3,224,582
Warrants	14	3,473,441	4,141,964
Options	14	673,628	1,274,342
Accumulated deficit		(39,058,249)	(29,611,206)
		(824,349)	3,003,784
Non-controlling interest	4	(104,467)	(361,976)
Total Shareholders' Equity		(928,816)	2,641,808
Total Liabilities and Shareholders' Equity		\$ 57,499,650	\$ 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
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	-	-	-	-	-	-	-	-	(44,337)	(44,337)	44,337
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)
Private placement	7,245,625	1,159,300	-	-	-	-	-	-	-	1,159,300	-
Finder shares and warrants re private placement	322,000	54,600	322,000	27,953	-	-	-	(82,553)	-	-	-
Expiry of warrants	-	-	(17,500)	(982)	-	-	982	-	-	-	-
Equity-settled share-based compensation	-	-	-	-	800,000	41,422	-	-	-	41,422	-
Expiry of options	-	-	-	-	(250,000)	(61,135)	61,135	-	-	-	-
Net comprehensive loss for the period	-	-	-	-	-	-	-	-	(3,784,339)	(3,784,339)	-
Net income for the period attributed to non-controlling interest	-	-	-	-	-	-	-	-	(205,661)	(205,661)	205,661
Balances Aug 31, 2017	138,778,314	29,290,578	40,834,750	3,473,441	9,490,000	673,628	5,934,949	(1,138,696)	(39,058,249)	(824,349)	(104,467)

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	Interest	
Balances November 30, 2015	95,392,483	21,935,275	20,846,500	3,590,780	7,231,500	1,700,743	2,168,909	(835,519)	(21,608,641)	6,951,547	774,271	
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)	-	-	-	-	-	(1,455,480)	
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	24,055,375	26,144,000	4,720,807	6,831,500	1,700,743	2,168,909	(937,916)	(24,011,714)	7,696,204	(704,851)	
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	26,644,000	4,768,757	7,475,000	1,838,220	2,168,909	(937,916)	(25,075,126)	6,815,719	(702,717)	
Issue of warrants	-	-	-	-	-	139,958	-	-	-	139,958	-	
Expiry of warrants	-	-	(1,000,000)	-	-	-	-	-	-	-	-	
Issue of options	-	-	-	-	400,000	-	-	-	-	-	-	
Expiry of options	-	-	-	-	(100,000)	-	-	-	-	-	-	
Unwinding of Banyan acquisition	(2,000,000)	(871,370)	(555,000)	(177,333)	-	-	-	-	-	(1,048,703)	-	
Net comprehensive loss for the period	-	-	-	-	-	-	-	-	(1,787,114)	(1,787,114)	-	
Net income for the period attributed to non-controlling interest	-	-	-	-	-	-	-	-	(67,874)	(67,874)	67,874	
Balances August 31, 2016	101,409,149	23,181,505	25,089,000	4,591,424	7,775,000	1,978,178	2,168,909	(937,916)	(26,930,114)	4,051,986	(634,843)	

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 nine months ended August 31, 2017 and 2016

		Jun 1, 2017 to Aug 31, 2017	Jun 1, 2016 to Aug 31, 2016	Dec 1, 2016 to Aug 31, 2017	Dec 1, 2015 to Aug 31, 2016
	Note				
Revenue		\$ 26,542,583	\$ 24,432,755	\$ 76,563,821	\$ 72,945,415
Cost of revenues					
Compensation		18,570,091	19,445,114	56,750,619	57,884,244
Other costs of revenues		413,313	722,634	1,269,338	1,837,124
		18,983,404	20,167,748	58,019,957	59,721,368
Gross margin		7,559,179	4,265,007	18,543,864	13,224,047
Expenses					
Salaries and other compensation costs	17	5,171,209	1,959,456	11,384,049	6,808,149
Office and general		1,547,812	1,131,946	4,350,025	3,420,074
Professional fees		521,236	362,103	1,682,386	1,012,621
Amortization	6,7,8	1,108,464	1,042,224	3,350,902	3,072,366
Depreciation of equipment	5	28,301	45,810	157,003	196,036
Share-based compensation		41,422	139,959	200,872	277,436
		8,418,444	4,681,498	21,125,237	14,786,682
Loss before the following:		(859,265)	(416,491)	(2,581,373)	(1,562,635)
Transition costs	4	1,735,564	-	2,714,446	-
Transaction costs		226,564	558,153	840,327	1,171,847
Interest and financing fees		685,820	693,908	2,665,184	2,196,865
Share of profit of equity-accounted investees, net of tax		-	35,698	-	(574)
Accretion of interest	12	53,566	82,225	163,923	342,555
Loss before income tax		(3,560,779)	(1,786,475)	(8,965,253)	(5,273,328)
Provision for income tax		223,560	639	224,282	1,779
Net comprehensive loss		\$ (3,784,339)	\$ (1,787,114)	\$ (9,189,535)	\$ (5,275,107)
Attributed to non-controlling interest		\$ 205,660	\$ 67,874	\$ 257,509	\$ 46,366
Attributed to common shareholders		\$ (3,989,999)	\$ (1,854,988)	\$ (9,447,044)	\$ (5,321,473)
Weighted average number of shares	14	136,725,150	102,735,236	128,060,673	103,182,858
Net loss per common share					
- basic and diluted		\$ (0.03)	\$ (0.02)	\$ (0.07)	\$ (0.05)

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 nine months ended August 31, 2017

	Notes	Jun 1, 2017 to Aug 31, 2017	Jun 1, 2016 to Aug 31, 2016	Dec 1, 2016 to Aug 31, 2017	Dec 1, 2015 to Aug 31, 2016
Net comprehensive loss for the period		\$ (3,784,339)	\$ (1,787,114)	\$ (9,189,535)	\$ (5,275,107)
Items not affecting cash:					
Amortization of intangible assets	6,7,8	1,108,464	1,042,224	3,350,902	3,072,366
Depreciation of equipment	5	28,301	45,810	157,003	196,036
Accretion of interest	12	53,566	82,225	163,923	342,555
Share-based compensation		41,422	139,958	200,872	277,435
Accrued interest		29,871	-	227,687	-
Cash flow used in operating activities of continuing operations before the following:		(2,522,715)	(476,897)	(5,089,148)	(1,386,715)
Change in non-cash working capital	19	1,603,205	1,575,207	(208,062)	2,966,097
Cash flows from (used in) operating activities of continuing operations		(919,510)	1,098,310	(5,297,210)	1,579,382
Cash flows from (used in) operating activities of discontinued operations		-	35,698	-	(574)
Cash flows from (used in) operating activities		(919,510)	1,134,008	(5,297,210)	1,578,808
Cash received on sale of portion of business		-	75,000	-	150,000
Purchase of benefit administration business	4	-	-	(55,153)	-
Purchase of software and equipment	5, 6	(279,929)	(51,787)	(323,911)	(302,065)
Acquisition and financing costs		(226,564)	(558,153)	(840,327)	(1,171,847)
Cash flows used in investing activities of continuing operations		(506,493)	(534,940)	(1,219,391)	(1,323,912)
Cash flows from investing activities of discontinued operations		-	1,625,000	-	1,625,000
Cash flows from (used in) investing activities		(506,493)	1,090,060	(1,219,391)	301,088
Proceeds (Repayment) of operating line	9	(186,070)	(1,689,300)	388,365	(2,013,820)
Proceeds from bank term loan	9	-	-	10,500,000	-
Repayment of bank term loan	9	(343,749)	(262,500)	(2,619,749)	(787,500)
Proceeds from equity financings	14	1,159,300	-	5,466,723	1,557,430
Issue costs of equity financings	14	-	-	(74,250)	-
Repayment of equipment leases and loans		(15,983)	(4,583)	(53,727)	(15,208)
Repayment of convertible debt	12	(16,834)	(1,027,815)	(1,388,551)	(1,059,647)
Proceeds from short-term notes		447,831	-	2,090,487	-
Repayment of short-term notes		-	-	(9,719,701)	-
Proceeds from royalty purchase		1,600,000	-	1,600,000	-
Cash flows from (used in) financing activities		2,644,495	(2,984,198)	6,189,597	(2,318,745)
Net change in cash and cash equivalents		1,218,492	(760,130)	(327,004)	(438,849)
Cash and cash equivalents, beginning of period		897,261	2,198,451	2,442,757	1,877,170
Cash and cash equivalents, end of period		\$ 2,115,753	\$ 1,438,321	\$ 2,115,753	\$ 1,438,321

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

August 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

August 31, 2017

2. Going Concern

At August 31, 2017, the Company had a working capital deficiency of \$14,988,115 (November 30, 2016 - \$20,182,804), and an accumulated deficit of \$39,058,249 (November 30, 2016 - \$29,611,206). During the period of the unaudited interim consolidated financial statements, the Company incurred a net loss of \$3,784,339 and \$9,189,535 for the three months and nine months ending August 31, 2017 (net loss of \$1,787,114 and \$5,275,107 for the three months and nine months ending August 31, 2016), and negative cash flow from continuing operations of \$919,510 and \$5,297,212 for the three months and nine months ending August 31, 2017 (positive cash flow \$1,098,310 and \$1,579,382 for the three months and six months ending August 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

August 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 August 31, 2017, \$480,839 was advanced to these former Maplesoft shareholders, who continue to be executives of Maplesoft.

Smart Employee Benefits Inc.

Notes to Unaudited Interim Consolidated Financial Statements

August 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

August 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 maintained the operations within their environment during a transition period while SEB built the infrastructure necessary to operate the business. Further to this, SEB paid “Transition” fees to Aon as well as incurring certain other transition costs. These costs are recorded on the Statement of Comprehensive Loss under the heading “Transition Costs”. The transition period ended during the 3rd quarter.

Smart Employee Benefits Inc.

Notes to Unaudited Interim Consolidated Financial Statements

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4. Business Combinations and Associate Investments (continued)

(d) Summary of Goodwill

	Balance Aug 31, 2017	Balance 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)
Net income attributed to non-controlling interest	-	205,660	205,660
Balance August 31, 2017	\$ (95,644)	\$ (8,823)	\$ (104,467)

5. Equipment

	Cost			Accumulated depreciation			Net Balance		
	Nov 30, 2016	Additions (Disposal)	Aug 31, 2017	Nov 30, 2016	Additions (Disposal)	Aug 31, 2017	Nov 30, 2016	Additions (Disposal)	Aug 31, 2017
Furniture and office equipment	\$ 602,171	\$ 129,698	\$ 731,869	\$ 302,503	\$ 42,852	\$ 345,355	\$ 299,668	\$ 86,845	\$ 386,513
Computer hardware	1,243,378	323,911	1,567,289	879,836	49,627	929,463	363,543	274,284	637,826
Leaseholds	159,335	-	159,335	24,062	28,126	52,188	135,273	(28,126)	107,148
Total	\$2,004,884	\$ 453,609	\$2,458,492	\$1,206,401	\$ 120,604	\$1,327,005	\$ 798,484	\$ 333,004	\$ 1,131,487

Smart Employee Benefits Inc.

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6. Software and Intellectual Property

(a) Software

	Cost			Accumulated Amortization			Net	
	Nov 30, 2016	Additions	Aug 31, 2017	Nov 30, 2016	Expense	Aug 31, 2017	Aug 31, 2017	Nov 30, 2016
Smart Employee								
Solutions (1)	\$ 500,000	\$ -	\$ 500,000	\$ 270,833	\$ 50,000	\$ 320,833	\$ 179,167	\$ 229,167
SES Benefits (2)	648,293	(3,943)	644,350	123,871	48,426	172,297	472,053	524,422
Logitek (3)	798,210	-	798,210	305,979	66,519	372,498	425,712	492,231
Inforica (4)	240,000	-	240,000	96,000	88,000	184,000	56,000	144,000
Meschino (6)	327,511	-	327,511	12,006	24,564	36,570	290,941	70,583
Adeeva (5)	110,000	-	110,000	39,417	37,583	77,000	33,000	315,505
Paradigm	119,475	329	119,805	119,475	124	119,599	206	-
Maplesoft	31,493	-	31,493	28,865	887	29,752	1,741	2,627
SEB Adm (7)	-	666,046	666,046	-	36,085	36,085	629,961	-
Total	\$ 2,774,982	\$ 662,432	\$ 3,437,414	\$ 996,446	\$ 352,188	\$ 1,348,634	\$ 2,088,780	\$ 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. (“SEB Admin”) acquired group benefit administration software as part of the acquisition of mid-market processing business (Note 4), with an assigned value of \$200,000, which is being amortized over 5 years. In addition, SEB Admin acquired other software, including that for a telephone system for the administration of this business. The amount is being amortized over 4 years.

Smart Employee Benefits Inc.

Notes to Unaudited Interim Consolidated Financial Statements

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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	Additions	Aug 31, 2017	Nov 30, 2016	Expense	Aug 31, 2017	Aug 31, 2017	Nov 30, 2016
Adeeva	\$ 110,000	\$ -	\$ 110,000	\$ 29,792	\$ 47,208	\$ 77,000	\$ 33,000	\$ 80,208
Total	\$ 110,000	\$ -	\$ 110,000	\$ 29,792	\$ 47,208	\$ 77,000	\$ 33,000	\$ 80,208

7. Customer Relationships

	Cost			Accumulated Amortization			Net Balance	
	Nov 30, 2016	Acquisition/ Disposal	Aug 31, 2017	Nov 30, 2016	Expense	Aug 31, 2017	Aug 31, 2017	Nov 30, 2016
Logitek	\$482,355	\$ -	\$482,355	\$ 383,143	\$ 67,054	\$ 450,197	\$32,158	\$ 99,212
SOMOS	430,209	-	430,209	361,040	33,319	394,359	35,850	69,169
Inforica	500,000	-	500,000	300,000	83,333	383,333	116,667	200,000
Antian	63,097	-	63,097	34,179	9,465	43,644	19,453	28,918
Adeeva	170,000	-	170,000	94,917	24,083	119,000	51,000	75,083
Stroma	660,000	-	660,000	341,000	88,000	429,000	231,000	319,000
Paradigm	5,650,000	-	5,650,000	2,260,000	847,500	3,107,500	2,542,500	3,390,000
Maplesoft	4,090,000	-	4,090,000	818,000	613,500	1,431,500	2,658,500	3,272,000
SEB Adm	-	200,000	200,000	-	16,667	16,667	183,333	-
Total	\$ 12,045,661	\$ 200,000	\$12,245,661	\$ 4,592,279	\$ 1,782,921	\$ 6,375,200	\$ 5,870,461	\$ 7,453,382

Customer relationships acquired by the Company have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses. The Company amortizes the customer relationships over their estimated useful lives of 5 years on a straight-line basis.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Smart Employee Benefits Inc.

Notes to Unaudited Interim Consolidated Financial Statements

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8. Trade Names

	Cost		Accumulated Amortization			Net Balance		
	Nov 30, 2016	Acquisition/ Disposal	Aug 31, 2017	Nov 30, 2016	Expense	Aug 31, 2017	Aug 31, 2017	Nov 30, 2016
Logitek	\$ 283,500	\$ -	\$ 283,500	\$ 217,350	\$ 47,250	\$ 264,600	\$ 18,900	66,150
SOMOS	388,000	-	388,000	291,000	64,667	355,667	32,333	97,000
Inforica	270,000	-	270,000	162,000	45,000	207,000	63,000	108,000
Adeeva	300,000	-	300,000	167,500	42,500	210,000	90,000	132,500
Stroma	260,000	-	260,000	134,331	34,669	169,000	91,000	125,669
Paradigm	1,280,000	-	1,280,000	512,000	192,000	704,000	576,000	768,000
Maplesoft	4,950,000	-	4,950,000	990,000	742,500	1,732,500	3,217,500	3,960,000
Total	\$7,731,500	\$ -	\$7,731,500	\$2,474,181	\$1,168,586	\$3,642,767	\$4,088,733	\$5,257,319

Trade Names acquired by the Company have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses. The Company amortizes the customer relationships over their estimated useful lives of 5 years on a straight-line basis.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

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.

Smart Employee Benefits Inc.

Notes to Unaudited Interim Consolidated Financial Statements

August 31, 2017

9. Bank Indebtedness (continued)

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 payments of \$114,583, and an annual payment equal to 25% of the free cash flow of the Technology Division. The loan may be repaid at any time without penalty;
3. A \$5,000,000 subordinated 5-year term loan facility (Term Loan "B"). The facility bears interest at 12% per annum (10% of which is calculated and payable monthly and 2% of which is calculated and compounded monthly and is payable on maturity or early repayment). The principal is due on maturity; it may be repaid any time after 24 months without penalty in minimum amounts of \$500,000; and
4. A \$75,000 credit card facility.

These new facilities are secured by a first charge over all the assets of the Company and the material subsidiaries of the Company, contain positive, negative and financial covenants, and include other usual and customary terms and conditions. The Company and the material subsidiaries of the Company have provided guarantees in support of these new credit facilities.

Smart Employee Benefits Inc.

Notes to Unaudited Interim Consolidated Financial Statements

August 31, 2017

9. Bank Indebtedness (continued)

Facilities in Place Prior to April 20, 2017

	Nov 30, 2016	Feb 28, 2017	May 31, 2017	August 31, 2017
Operating Loans				
Paradigm facility	\$ 2,804,102	\$ 2,511,647	\$ -	\$ -
Maplesoft facility	8,350,038	9,435,680	-	-
	\$ 11,154,140	\$ 11,947,327	\$ -	\$ -
Paradigm Term Loan				
Current Portion	\$ 1,050,000	\$ 1,050,000	\$ -	\$ -
Non-current Portion	1,226,000	1,051,000	-	-
	\$ 2,276,000	\$ 2,101,000	\$ -	\$ -

Facilities in Place After April 20, 2017

	Nov 30, 2016	Feb 28, 2017	May 31, 2017	August 31, 2017
Operating Loan	\$ -	\$ -	\$ 11,728,575	\$ 11,542,505
Term Loans				
Current Portion				
Term Loan 'A'	\$ -	\$ -	\$ 1,375,000	\$ 1,375,000
Term Loan 'B'	-	-	-	-
Total Current Portion	\$ -	\$ -	\$ 1,375,000	\$ 1,375,000
Long Term Portion				
Term Loan 'A'	\$ -	\$ -	\$ 4,125,000	\$ 3,781,250
Term Loan 'B'	-	-	5,000,000	5,000,000
Total Long Term Portion	\$ -	\$ -	\$ 9,125,000	\$ 8,781,250
Term Loan Total	\$ -	\$ -	\$ 10,500,000	\$ 10,156,250

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.

Smart Employee Benefits Inc.

Notes to Unaudited Interim Consolidated Financial Statements

August 31, 2017

11. Equipment Leases Payable

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

Maturity	Aug 31, 2017	Nov 30, 2016
April-2020	\$ 48,977	\$ -
April-2020	24,551	-
April-2020	17,386	-
June-2020	11,367	-
June-2020	11,367	-
June-2020	30,911	-
July-2020	26,990	-
September-2020	8,648	13,934
	<u>\$ 180,197</u>	<u>\$ 13,934</u>
Current portion	67,107	6,786
Long term portion	113,090	7,148
Total	<u>\$ 180,197</u>	<u>\$ 13,934</u>

Smart Employee Benefits Inc.

Notes to Unaudited Interim Consolidated Financial Statements

August 31, 2017

12. Convertible Debt

Maturity Date	Conversion Price	Face Value of Notes		Equity Component of Notes		Liability		Accrued Interest		Balance				
		Nov 30, 2016	Repayments 2017	Aug 31, 2016	Adjustments 2017	Aug 31, 2017	Liability at Fair Value	Bal Nov 30, 2016	Adjustments 2017	Bal Aug 31, 2017	Aug 31, 2017	Nov 30, 2016		
(1) Dec 31, 2016	\$ 0.30	970,000	(970,000)	-	(533,334)	533,334	-	633,946	(633,946)	-	-	970,000		
(2) Dec 31, 2016	\$ 0.30	1,000,000	-	1,000,000	(307,136)	-	(307,136)	692,864	-	-	307,136	1,000,000		
(3) Dec 31, 2016	\$ 0.30	190,000	-	190,000	(57,946)	-	(57,946)	132,054	-	-	57,946	190,000		
(4) Jun 6, 2017	\$ 0.70	83,334	-	83,334	(80,802)	55,287	(25,515)	57,819	(55,287)	18,840	25,514	83,333		
(5) Dec 30, 2017	\$ 0.50	1,106,390	(368,428)	737,962	(382,286)	127,292	(254,994)	482,968	(127,291)	84,054	180,903	948,244		
(6) Feb 6, 2018	\$ 0.75	651,858	-	651,858	(303,437)	-	(303,437)	348,421	-	43,998	252,684	601,105		
(7) Mar 18, 2019	\$ 0.75	151,916	(50,123)	101,793	(96,230)	-	(96,230)	5,563	17,031	17,031	96,230	134,886		
Totals		\$ 4,153,498	\$(1,388,551)	\$ 2,764,947	\$(1,761,171)	\$ 715,913	\$(1,045,258)	\$ 1,719,689	\$ 1,575,014	\$ (816,574)	\$ 163,923	\$ 920,413	\$ 2,640,103	\$ 3,864,730
Current portion of convertible debt												\$ 2,605,637	\$ 2,224,492	
Long term portion of convertible debt												34,466	1,640,238	
												\$ 2,640,103	\$ 3,864,730	

Smart Employee Benefits Inc.

Notes to Unaudited Interim Consolidated Financial Statements

August 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 was held in trust by a major financial institution as part of the new bank debt financing described in Note 9 as of August 31, 2017. Subsequent to the quarter ended in Q3, 2017, \$166,667 was repaid.

- 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.

Smart Employee Benefits Inc.

Notes to Unaudited Interim Consolidated Financial Statements

August 31, 2017

12. Convertible Debt (continued)

- 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 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 \$50,123 has been repaid in fiscal 2017.

13. Notes payable

	Aug 31, 2017	Nov 30, 2016
(1) Advance from Chairman of the Board	\$ 1,000,000	\$ 1,500,000
(2) Advance from Executives	97,108	501,560
(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	1,421,486	1,826,510
(5) Loan from Investors	307,726	-
Other	592,749	346,493
Notes payable	\$ 3,419,069	\$ 11,048,283
Short-term notes payable	1,997,583	9,215,997
Long-term notes payable	1,421,486	1,832,286
	\$ 3,419,069	\$ 11,048,283

Smart Employee Benefits Inc.

Notes to Unaudited Interim Consolidated Financial Statements

August 31, 2017

13. Notes payable (continued)

- 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 August 31, 2017, the Company has accrued interest of \$546,678.
- 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) Up to Q3, 2017, the Company repaid \$455,000 of this loan.
- 5) During Q3, 2017, the Company received \$500,000 loan from third party and repaid \$200,000 in the same quarter. The balance was repaid on September 1, 2017

14. Share Capital

(a) Authorized

Unlimited number of common shares

(b) Common shares issued and outstanding

	Shares #	Amount
Balance November 30, 2016	109,673,574	\$ 24,937,594
(1) Private placement of shares	16,762,115	3,352,423
Warrants issued in private placement	-	(860,449)
Balance February 28, 2017	126,435,689	27,429,568
(2) Private placement of shares	4,775,000	955,000
Warrants issued in private placement	-	(307,890)
Balance May 31, 2017	131,210,689	\$ 28,076,678
(3) Private placement of shares	7,245,625	1,159,300
Shares issued to private placement finder	322,000	54,600
Balance August 31, 2017	138,778,314	\$ 29,290,578

- 1) During the quarter ending February 28, 2017, the Company closed the final 2 tranches of a 3 tranche equity unit financing 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.
- 2) 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.

Smart Employee Benefits Inc.

Notes to Unaudited Interim Consolidated Financial Statements

August 31, 2017

14. Share Capital (continued)

- 3) During the quarter ending August 31, 2017, the Company closed equity financing in 4 tranches at \$0.16 per share.

(c) Share purchase warrants

	Exercise Price	Expiry	Number of Warrants Outstanding				
			<u>May 31, 2017</u> Outstanding	Issued	Expired / Cancelled	<u>Aug 31, 2017</u> Outstanding Exercisable	
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
1	\$ 0.75	Nov 6, 2017	950,000	-	-	950,000	950,000
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)	-	-
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	\$ 0.20	Dec 1, 2018	-	140,000	-	140,000	140,000
9	\$ 0.20	Dec 6, 2018	-	70,000	-	70,000	70,000
9	\$ 0.20	Dec 27, 2018	-	21,000	-	21,000	21,000
9	\$ 0.20	Jan 31, 2019	-	91,000	-	91,000	91,000
10	\$ 0.50	Feb 27, 2019	1,000,000	-	-	1,000,000	833,333
11	\$ 0.30	Apr 20, 2019	342,700	-	-	342,700	342,700
12	\$ 0.50	Dec 1, 2020	1,000,000	-	-	1,000,000	500,000
			40,530,250	322,000	(17,500)	40,834,750	40,019,750
	Weighted avg exercise price		\$ 0.39	\$ 0.20	\$ 0.30	\$ 0.39	\$ 0.39

- 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.

Smart Employee Benefits Inc.

Notes to Unaudited Interim Consolidated Financial Statements

August 31, 2017

14. Share Capital (continued)

- 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.
- 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 June 1, 2017, June 6, 2017, June 27, 2017 and July 31, 2017 the Company closed Common Share financings for a total of \$1,159,300, whereby each common share was issued at a price of \$0.16. In addition, 322,000 common shares were issued as payment to finders. As well, finders were issued 322,000 common share purchase warrants, exercisable at \$0.20 for a period of 18 months from date of issue.
- 10) 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.

Smart Employee Benefits Inc.

Notes to Unaudited Interim Consolidated Financial Statements

August 31, 2017

14. Share Capital (continued)

- 11) On April 20, 2017, the Company acquired from its subsidiary Maplesoft Consulting Inc. a loan payable to a third party in the amount of \$1,371,510. 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.
- 12) 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.

(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 August 31, 2017 is 13,877,831. At August 31, 2017, the Company had 9,490,000 options issued and outstanding.

Smart Employee Benefits Inc.

Notes to Unaudited Interim Consolidated Financial Statements

August 31, 2017

14. Share Capital (continued)

	Exercise Price	Expiry	May 31, 2017	Issued	Expired /	Aug 31, 2017	
			Outstanding	Total	Cancelled	Outstanding	Exercisable
1	\$ 0.42	Jul 24, 2017	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
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	100,000	-	-	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 3, 2019	-	100,000	-	100,000	-
19	\$ 0.30	May 31, 2019	100,000	-	-	100,000	50,000
20	\$ 0.25	Aug 3, 2019	-	500,000	-	500,000	125,000
21	\$ 0.30	May 3, 2020	500,000	-	-	500,000	125,000
21	\$ 0.30	May 3, 2020	600,000	-	-	600,000	150,000
22	\$ 0.20	Aug 3, 2020	500,000	-	-	500,000	-
23	\$ 0.20	Aug 3, 2020	500,000	200,000	-	700,000	-
24	\$ 0.30	May 31, 2021	150,000	-	-	150,000	50,000
25	\$ 0.30	Jul 28, 2021	750,000	-	-	750,000	250,000
			8,940,000	800,000	(250,000)	9,490,000	5,574,000
Weighted avg exercise price			\$ 0.36	\$ 0.24	\$ 0.42	\$ 0.34	\$ 0.39

- 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.
- 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.

Smart Employee Benefits Inc.

Notes to Unaudited Interim Consolidated Financial Statements

August 31, 2017

14. Share Capital (continued)

- 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 month, 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.
- 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.

Smart Employee Benefits Inc.

Notes to Unaudited Interim Consolidated Financial Statements

August 31, 2017

14. Share Capital (continued)

- 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 August 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
- 19) 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
- 20) On August 3, 2017, the Company granted 500,000 options to a consultant. The options have a 24-month term, vest 25% immediately and every six months and are exercisable at \$0.30 per share
- 21) 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.
- 22) 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.
- 23) 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 \$0.20 per share. On August 3, 2017 200,000 options were issued to new directors under the same terms.
- 24) 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.
- 25) 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 August 31, 2017 was 136,725,150 (102,735,236 for the quarter ending August 31, 2016). The dilutive effect of options and warrants outstanding was not included as it would serve to reduce the loss per share reported.

Smart Employee Benefits Inc.

Notes to Unaudited Interim Consolidated Financial Statements

August 31, 2017

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 August 31, 2017, the allowance for doubtful accounts was \$16,916 (November 30, 2016 - \$383,589). \$72,925 bad debt expense of fiscal year 2016 was recovered up to Q3, 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 \$277,579 (2016 - \$159,006 for the nine months ending August 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.

15. Financial Instruments (continued)

Smart Employee Benefits Inc.

Notes to Unaudited Interim Consolidated Financial Statements

August 31, 2017

Major Debt maturity schedule at Aug 31, 2017

	Notes payable (Note 13)	Convertible debt (1) (Note 12)	Equipment lease (Note 11)	Term Bank loan (2) (Note 9)	Royalty Advance (3)	Total
Fiscal 2017	\$ 1,997,583	\$ 1,273,334	\$ 16,777	\$ 576,250	\$ -	\$ 3,863,944
Fiscal 2018	-	1,389,820	67,108	1,375,000	1,600,000	4,431,928
Fiscal 2019	-	101,793	67,108	1,375,000	-	1,543,901
Fiscal 2020	1,421,486	-	29,205	1,375,000	-	2,825,691
Fiscal 2021	-	-	-	455,000	-	455,000
Fiscal 2022	-	-	-	5,000,000	-	5,000,000
	\$ 3,419,069	\$ 2,764,947	\$ 180,197	\$ 10,156,250	\$ 1,600,000	\$ 18,120,463

- (1) Face value of convertible debentures.
- (2) Term loan scheduled repayment dates.
- (3) See Note 22.

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 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

August 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 nine months of \$151,500 and \$454,500 (\$149,000 and \$444,500 for the three months and nine 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 \$546,678 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 receivables 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 \$97,108 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 \$63,125 and \$155,375 for the three and nine months ending August 31, 2017 (\$48,125 and \$160,500 for the three and nine months ending August 31, 2016). At August 31, 2017, accrued Directors' fees were \$428,750 (November 30, 2016 - \$273,375).

Director/Officer stock-based compensation expense was \$50,092 and \$106,572 for three months and nine months ended August 31, 2017 (\$20,271 and \$66,013 for the three and nine months ending August 31, 2016).

Smart Employee Benefits Inc.

Notes to Unaudited Interim Consolidated Financial Statements

August 31, 2017

18. Commitments and Contingencies

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

	Premise leases
Fiscal 2017	358,436
Fiscal 2018	1,463,042
Fiscal 2019	909,241
Fiscal 2020	280,488
Fiscal 2021	280,488
Fiscal 2022	140,244
Total	\$ 3,431,939

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 August 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

August 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>Jun 1, 2017 to Aug 31, 2017</i>	<i>Jun 1, 2016 to Aug 31, 2016</i>	<i>Dec 1, 2016 to Aug 31, 2017</i>	<i>Dec 1, 2015 to Aug 31, 2016</i>
Accounts receivable	\$ 1,052,532	\$ 1,211,575	\$ (4,314,813)	\$ 735,675
Inventory	(55,160)	(142,454)	(50,912)	(375,962)
Prepays and deposits	(20,739)	(100,579)	(615,563)	(178,711)
Accounts payable and accrued liabilities	563,817	582,198	4,803,804	2,921,606
Deferred revenue	62,755	24,467	(30,580)	(136,510)
Total	\$ 1,603,205	\$ 1,575,207	\$ (208,064)	\$ 2,966,097

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

August 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

August 31, 2017

20. Segment Disclosures (continued)

	As at Aug 31, 2017			
	Benefits	Technology	Corporate	Total
Statement of Financial Position				
Current assets	\$ 5,955,331	\$ 17,936,764	\$ 990,488	\$ 24,882,584
Long term note receivable	-	3,507,086	-	3,507,086
Long term deposits	25,000	65,784	93,412	184,196
Equipment	216,602	906,974	7,911	1,131,487
Software	1,605,122	483,658	-	2,088,780
Customer relationships	234,333	5,636,128	-	5,870,461
Trade names	90,000	3,998,733	-	4,088,733
Intellectual property	33,000	-	-	33,000
Goodwill	833,544	14,879,780	-	15,713,324
Total assets	\$ 8,992,932	\$ 47,414,907	\$ 1,091,811	\$ 57,499,650
Current liabilities	8,645,636	23,320,158	7,904,903	39,870,697
Total liabilities	\$ 8,645,636	\$ 35,658,156	\$ 14,124,673	\$ 58,428,465

For three months ended August 31, 2017

Statement of Comprehensive Loss				
Revenues	\$ 2,989,172	\$ 23,553,411	\$ -	\$ 26,542,583
Cost of revenues	(166,196)	(18,817,209)	-	(18,983,405)
Operating costs	(3,684,892)	(2,831,906)	(723,459)	(7,240,257)
Operating income (loss)	(861,916)	1,904,296	(723,459)	318,920
Transition costs	1,735,564	-	-	1,735,564
Interest and financing fees	6,960	469,637	209,224	685,820
Transaction costs	226,564	-	-	226,564
Share-based compensation	-	-	41,422	41,422
Amortization and Depreciation	118,663	1,017,606	494	1,136,763
Accretion of interest	-	-	53,567	53,567
Income tax	-	223,560	-	223,560
Net comprehensive loss	\$ (2,949,667)	\$ 193,494	\$ (1,028,167)	\$ (3,784,339)

For nine months ended August 31, 2017

Statement of Comprehensive Loss				
Revenues	\$ 5,694,808	\$ 70,869,013	\$ -	\$ 76,563,821
Cost of revenues	(529,529)	(57,490,429)	-	(58,019,958)
Operating costs	(6,585,066)	(8,856,800)	(1,974,594)	(17,416,460)
Operating income (loss)	(1,419,787)	4,521,784	(1,974,594)	1,127,403
Transition costs	2,714,446	-	-	2,714,446
Interest and financing fees	26,055	2,205,956	433,173	2,665,184
Transaction costs	551,639	288,688	-	840,327
Share-based compensation	-	-	200,872	200,872
Amortization and Depreciation	335,907	3,170,515	1,483	3,507,904
Accretion of interest	-	-	163,923	163,923
Income tax	-	224,282	-	224,282
Net comprehensive loss	\$ (5,047,834)	\$ (1,367,656)	\$ (2,774,045)	\$ (9,189,536)

Smart Employee Benefits Inc.

Notes to Unaudited Interim Consolidated Financial Statements

August 31, 2017

20. Segment Disclosures (continued)

As at August 31, 2016				
	Benefits	Technology	Corporate	Total
Statement of Financial Position				
Current assets	\$ 562,652	\$ 20,608,716	\$ 599,499	\$ 21,770,867
Long term deposits	-	-	93,412	93,412
Equipment	21,575	810,802	-	832,377
Software	1,233,845	658,596	-	1,892,441
Customer relationships	43,083	8,786,082	-	8,829,165
Trade names	147,500	3,838,894	-	3,986,394
Intellectual property	69,594	-	-	69,594
Goodwill	733,544	14,856,765	-	15,590,309
Total assets	\$ 2,811,793	\$ 49,559,855	\$ 692,911	\$ 53,064,559
Current liabilities	1,296,560	30,039,402	6,723,979	38,059,941
Total liabilities	\$ 1,296,560	\$ 36,900,042	\$ 11,450,816	\$ 49,647,418

For three months ended August 31, 2016

Statement of Comprehensive Loss				
Revenues	\$ 364,252	\$ 24,068,502	\$ -	\$ 24,432,754
Cost of revenues	(176,356)	(19,991,392)	-	(20,167,748)
Operating costs	(722,972)	(2,274,441)	(456,092)	(3,453,505)
Operating income (loss)	(535,076)	1,802,669	(456,092)	811,501
Interest and financing fees	(839)	503,162	191,585	693,908
Transaction costs	133,153	425,000	-	558,153
Share-based compensation	-	-	139,959	139,959
Amortization and Depreciation	70,113	1,017,920	-	1,088,033
Accretion of interest	-	-	82,225	82,225
Income Tax	-	639	-	639
Net loss before discontinued operations	(737,503)	(144,052)	(869,861)	(1,751,416)
Net loss from discontinued operations, net of tax	(35,698)	-	-	(35,698)
Net comprehensive loss	\$ (773,201)	\$ (144,052)	\$ (869,861)	\$ (1,787,114)

For nine months ended August 31, 2016

Statement of Comprehensive Loss				
Revenues	\$ 1,099,329	\$ 71,846,086	\$ -	\$ 72,945,415
Cost of revenues	(528,756)	(59,192,612)	-	(59,721,368)
Operating costs	(1,931,559)	(7,401,011)	(1,908,274)	(11,240,844)
Operating income (loss)	(1,360,986)	5,252,463	(1,908,274)	1,983,203
Interest and financing fees	5,330	1,643,719	547,817	2,196,866
Transaction costs	133,153	990,744	47,950	1,171,847
Share-based compensation	-	-	277,436	277,436
Amortization and Depreciation	277,677	2,990,724	-	3,268,401
Accretion of interest	-	-	342,555	342,555
Income Tax	-	1,779	-	1,779
Net loss before discontinued operations	(1,777,146)	(374,503)	(3,124,032)	(5,275,681)
Net income from discontinued operations, net of tax	574	-	-	574
Net comprehensive loss	\$ (1,776,572)	\$ (374,503)	\$ (3,124,032)	\$ (5,275,107)

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

August 31, 2017

21. Contingent Consideration Payable

	Current	Long term	Aug 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	-	1,842,407	1,842,407	1,842,407
(4) Maplesoft acquisition	-	1,045,090	1,045,090	1,045,090
	\$ 117,558	\$ 3,559,257	\$ 3,676,815	\$ 3,676,815

- 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 \$69,371 in fiscal year 2017.
- 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 August 31, 2017.
- 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 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.
- 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

Notes to Unaudited Interim Consolidated Financial Statements

August 31, 2017

22. Royalty Advance

On August 31, 2017, the Company entered into an unsecured Royalty Purchase Agreement. As consideration for the payment of the Royalty Advance in the amount of \$1,600,000 to the Company by the Purchasers, the Company agreed to pay a royalty payment in the first-year equal to 0.3571% of consolidated revenues of the Company (the "Royalty Rate") during each calendar month, payable in arrears and pro-rated for any partial month. The royalty payments cease at the end of the first year if an amount equal or greater than the Royalty Advance has been paid. In addition, the Company will pay a Bonus fee of \$400,000. The Bonus Fee is payable 50% in the second year, and 50% in the third year.

If the Royalty Advance is not repaid in full on or prior to the First Anniversary, the then applicable Royalty Rate and the Bonus shall each automatically increase by 20% for each 12-month period that the Royalty Advance is outstanding following the First Anniversary.

23. Reclassification

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

24. Subsequent Events

Equity Private Placement

Subsequent to the third quarter the Company closed an equity financing in the amount of \$2,000,000, consisting of 12,500,000 common shares priced at \$0.16 each, with no warrants attached. In addition, 411,250 shares and 411,250 warrants with a term of 18 months at an exercise price of \$0.20 were issued to finders.

Joint Venture Agreement

Subsequent to the third quarter, the Company executed a letter of intent to enter into a joint-venture agreement with NeST Technology Ltd., a US technology company. The intent of the venture is to form a new company, owned 50% by SEB and 50% by NeST, which will provide back-office processing and administration services for Third Party Administrators (TPA's) and Professional Employer Organizations (PEO's) in the USA. Concurrent with the signing of the joint venture agreement, NeST invested \$960,000 into the SEB private placement described above.