








SMART EMPLOYEE BENEFITS INC.

www.seb-inc.com

   	Management Discussion and Analysis
	For the three months ended February 28, 2017

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Management Discussion and Analysis

This Management Discussion and Analysis (“MD&A”) of Smart Employee Benefits Inc. (the “Company” or “SEB”) covers the Company’s financial performance and events during and subsequent to the three months ended February 28, 2017 up to the date of this report April 28, 2017. This MD&A should be read in conjunction with SEB’s fiscal 2017 first quarter consolidated financial statements. Except for the non-IFRS measures discussed below, all financial information is prepared in accordance with International Financial Reporting Standards (“IFRS”). All dollar amounts are in Canadian dollars unless otherwise indicated.

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

Forward Looking Statements, Risks and Uncertainties

Certain statements in this MD&A may constitute “forward-looking” statements that involve known and unknown risks, uncertainties and other factors. The actual results, performance or achievements of SEB or the industry, may be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. These statements include, but are not limited to, comments made under the headings “Company Overview” and “Risks and Uncertainties” and other statements concerning the Company’s objectives, strategies to achieve those objectives, as well as management’s beliefs, plans, estimates, and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. When used in this MD&A, such statements use words such as “may”, “will”, “expect”, “believe”, “plan” or other similar terminology.

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

Non-IFRS Financial Measures

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

Highlights

Financial Performance

Select Financial Highlights of Continuing Operations

	<i>Three months ended February 28</i>		
	<i>2017</i>	<i>2016</i>	<i>Change</i>
Revenue	\$ 23,147,959	\$ 23,367,818	\$ (219,859)
Cost of revenues	19,427,565	19,146,109	(281,456)
Gross Margin	3,720,394	4,221,709	(501,315)
<i>(1) Gross Margin as a % of Revenue</i>	<i>16.1%</i>	<i>18.1%</i>	<i>-2.1%</i>
Operating costs	3,202,834	3,621,910	419,076
Professional fees	458,107	449,126	(8,981)
Adjusted EBITDA	59,453	150,673	(91,220)
Acquisition and financing costs	516,555	317,727	(198,828)
EBITDA	\$ (457,102)	\$ (167,054)	\$ (290,048)
Net loss before discontinued operations	\$ (2,202,918)	\$ (2,376,861)	\$ 173,943

(1) See discussion of Gross Margin % included in the Gross Margin commentary which follows.

Similar to the first quarter prior year, Revenue and Adjusted EBITDA from continuing operations remained relatively flat. A full eight quarter performance summary is show in the “Financial Discussion” further in this report. Management expects organic growth from each of the segments going forward; however, management also expects the timing and cycles of the contract procurement process could result in some fluctuations of organic growth rate over time.

Strategic Acquisitions

During the first quarter of fiscal 2017, there were no acquisitions, unlike the first quarter prior year when SEB acquired Maplesoft Group Inc. (“Maplesoft”), a large professional services firm. However, subsequent to the first quarter, SEB acquired Aon Hewitt Inc.’s (“Aon”) mid-market health and welfare benefits administration business in Canada and formed a strategic alliance with Aon. This book of business has 48 clients (many with globally recognized brands), and represents over 250,000 plan members across Canada. As part of this transaction, SEB also acquired several complementary technology platforms and will add approximately 150 employees from across Canada and India.

Operating Facilities and Debt Reduction

Subsequent to the quarter, the Company amended its credit facilities with a major Canadian Financial Institution and its subsidiary. The new facilities increase the existing line of credit and term loan with the same institution, and replace credit facilities held with a major international asset based lender. The new facilities will help support the Company's working capital requirements, restructure short term into longer term debt and decrease the associated interest expense. As part of this restructuring, the Company repaid \$0.6 million of current convertible notes and \$7.5 million of short term notes.

During the fourth quarter of fiscal 2016, the Company announced a private placement of up to \$5 million ("Offering 1") with proceeds to be used for debt repayment and working capital. The private placement involved a \$0.20 unit offering, with each unit consisting of one common share and one common share purchase warrant. The warrants are exercisable into one common share at \$0.30 per share for 18 months from the date of issuance. The First Tranche of Offering 1 closed in the fourth quarter of 2016 and raised \$1.65 million. During the first quarter of 2017, the Company closed the Second and Third Tranche raising a further \$3.35 million. The total raised in Offering 1 was \$5.0 million.

In addition, the first two tranches of SEB's \$1.5 million unit offering ("Offering 2") were closed subsequent to the first quarter raising an additional \$725,000. Each unit was issued at a price of \$0.20, and consists of one common share and one transferable common share warrant, with each warrant being exercisable within 18 months into one common share of the Company at a price of \$0.30 per share.

Company Overview

SEB is a technology company which builds, implements and manages fully-integrated data processing solutions. The Company offers game changing technology based solutions across multiple industry sectors with a focus on health care.

The Company's global infrastructure is comprised of a corporate office and two operating divisions: Technology and Benefits. The Technology Division has a growing standalone business providing professional services, software solutions, systems integration, managed services, software development, application support, infrastructure services, and specialty data management expertise to corporate and government clients across Canada and internationally. It also extends its infrastructure, expertise and services to the Benefits Division which delivers Software as a Service ("SaaS") and Business Process Outsourcing ("BPO") solutions to both corporate and government funded health benefit environments. The Technology Division is a critical competitive advantage in supporting the implementation and operation of SEB's Benefit Division solutions. The combination of the two operating divisions allows SEB to provide end-to-end total processing solutions, all managed in one technology environment.

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

Strategic Vision

SEB's strategic vision is to become a major force in the processing and administration of health care benefits transactions for privately and publicly funded plans. The Canadian target health market has two segments: Employee Group Benefits, in which annual spend is estimated by management to be \$35.0 billion, and Government Funded Benefits (federal and provincial), where \$25.0 billion is estimated to be spent annually.

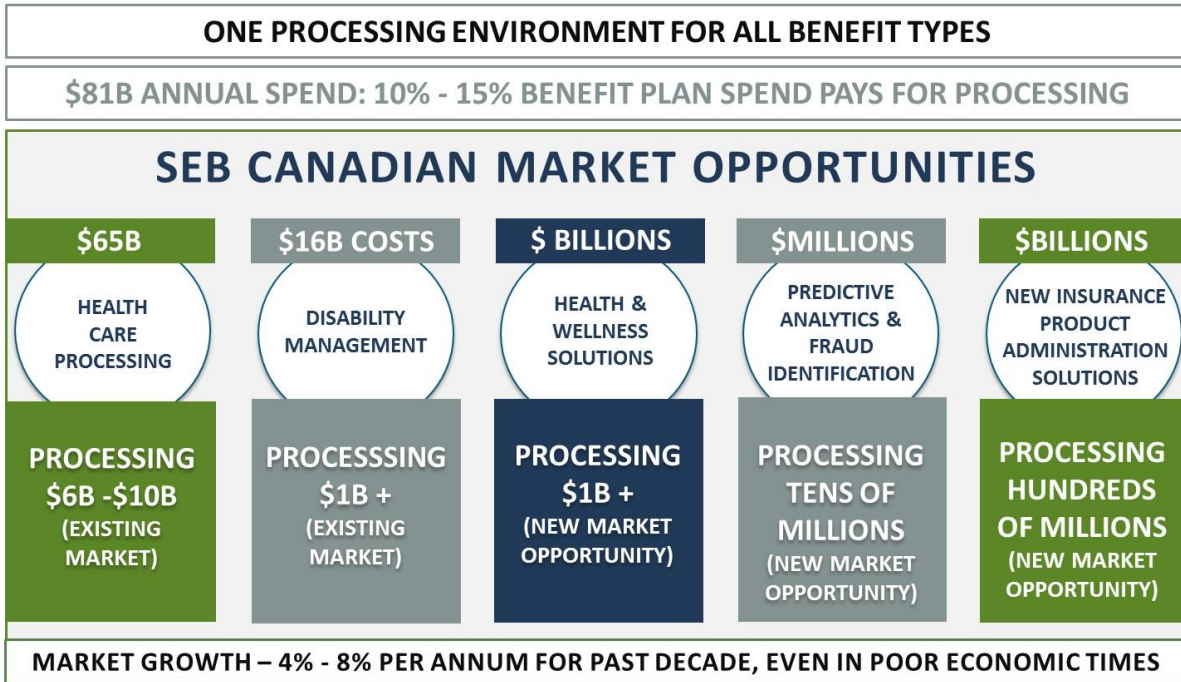
HEALTH BENEFITS PROCESSING MULTI-BILLION DOLLAR MARKETPLACE IN CANADA

SEB BENEFITS EXCHANGE PLATFORM

GAME CHANGING BENEFITS PROCESSING SOLUTIONS PROVIDE COMPETITIVE ADVANTAGE.

Health Benefit processing market opportunity is billions of dollars in Canada.

SEB Processing Solutions are applicable to a global marketplace & endorsed by global industry leaders.



SEB solutions are web and cloud enabled. All solutions are being moved to the cloud in Fiscal 2017. SEB solutions operate as modules or in a fully-integrated environment. They automate administration, adjudication, claims payment, billing, reporting and analytics in one technology environment.

A significant competitive advantage is SEB’s adjudication module which can create and implement rules in minutes, not the weeks and months required by other platforms. This allows detailed real time reporting, real time analytics and real time fraud prevention. If a plan member’s health benefit plan utilized the complete SEB Benefits Exchange Platform Solutions, the revenue to SEB would average between \$300 to \$600 per plan member per annum.

Milestones toward Achieving the Strategic Vision

Since inception in 2011, SEB has enhanced its proprietary health benefit claims adjudication and administration software and acquired successful companies which support SEB's processing technology and/or provide sales channels through existing vendor relationships, project references and complementary health services. The following is a timeline of accomplished milestones:

- 2011—Purchased the most advanced health claims adjudication technology available, and began enhancing the adjudication component and developing the administration segment.
- 2012—Through a reverse takeover, became listed on the Toronto Venture Exchange.
- 2013—Acquired Logitek Technology Ltd. (“Logitek”), SOMOS Consulting Group Ltd. (“SOMOS”), and 50% of Inforica Inc. (“Inforica”), technology companies which would provide the Benefits Division with both the necessary infrastructure, and sales channels.
- 2014—Acquired technology companies APS-Antian Professional Services Inc. (“Antian”) and Stroma Service Consulting Inc. (“Stroma”) and health/benefits companies Adeeva Nutritionals Canada Inc. (“Adeeva”), and 75% of Meschino Health and Wellness Corporation (“Meschino”).
- 2015—Acquired 50% of health consulting company SEB Benefits and HR Consulting Inc. (“SEBCON”); acquired 50% of SEB Analytics Inc. (Analytics); sold the non-core Electronic Data Interchange (“EDI”) business of Logitek; acquired technology company Paradigm Consulting Group Inc. (“Paradigm”).
- 2016—Acquired Maplesoft Group Inc. (“Maplesoft”) a technology company.
- 2017—Acquired the Canadian midmarket health and welfare benefits administration business from AON.

Today

SEB operates a mature Technology Division, with strong EBITDA performance and multi-year back-log. Although it has used an acquisition driven model to expedite growth, the Technology Division has multiple annuity revenue streams driven by the long-term client relationships. This foundation is a solid launching platform for continued organic growth.

The Technology Division also provides the IT infrastructure and support for the Benefits Division, in addition to the requisite security clearances, vendor of record arrangements and project references to successfully compete on corporate and government tenders.

Future Growth

SEB intends to acquire additional client relationships and vendor status, primarily within the Benefits Division, to support a complementary growth environment. The growth strategy is predicated on:

1. Developing existing channels through the provision of a broader service offering; and
2. Possible acquisitions focused on enlarging SEB's existing sales channels.

Financial Discussion

Quarterly Statements of Comprehensive Loss for the Eight Quarters ended February 28, 2017

	Dec 1, 2016 to Feb 28, 2017	Sep 1, 2016 to Nov 30, 2016	June 1, 2016 to Aug 31, 2016	Mar 1, 2016 to May 31, 2016	Dec 1, 2015 to Feb 29, 2016	Sep 1, 2015 to Nov 30, 2015	June 1, 2015 to Aug 31, 2015	Mar 1, 2015 to May 31, 2015
Revenue	\$ 23,147,959	\$ 24,282,360	\$ 24,432,755	\$ 25,144,842	\$ 23,367,818	\$ 12,506,542	\$ 9,680,417	\$ 11,113,989
Cost of revenues	19,427,565	20,296,160	20,167,748	20,407,511	19,146,109	9,552,159	6,975,219	8,411,162
Gross Margin	3,720,394	3,986,200	4,265,007	4,737,331	4,221,709	2,954,382	2,705,198	2,702,827
<i>Gross Margin as a % of Revenue</i>	16.1%	16.4%	17.5%	18.8%	18.1%	23.6%	27.9%	24.3%
Salaries and other compensation costs	2,064,527	1,867,721	2,099,415	2,529,953	2,454,313	1,973,925	1,591,899	1,437,431
Professional fees	458,107	392,354	362,103	201,392	449,126	941,013	352,176	278,130
Office and general	1,138,307	1,625,131	1,131,946	1,120,531	1,167,597	1,559,414	963,236	858,341
Change in fair value of contingent liability	54,872	476,052	-	-	(128,350)	-	-	-
Adjusted EBITDA:	4,581	(375,058)	671,543	885,456	150,673	(1,391,620)	(202,114)	128,924
Gain on sale of a portion of the business	-	-	-	-	-	24,837	-	(100,000)
Acquisition and financing costs	516,555	664,890	558,153	295,967	317,727	180,000	-	830,127
Write-down of intangibles	-	-	-	-	-	551,516	-	-
EBITDA:	(511,974)	(1,039,948)	113,390	589,489	(167,054)	(2,098,299)	(202,114)	(801,203)
Interest and interest accretion	557,265	634,180	776,133	764,243	951,094	471,874	482,120	515,177
Income tax	634	(239,629)	639	1,140	-	(335,285)	(10,000)	(10,000)
Depreciation and amortization	1,133,045	1,332,601	1,088,034	1,072,452	1,107,916	712,118	674,861	672,065
Net loss before discontinued operations	(2,202,918)	(2,767,099)	(1,751,416)	(1,248,346)	(2,226,064)	(2,947,006)	(1,349,095)	(1,978,445)
Income (Loss) from discontinued operations net of tax	-	-	(35,698)	187,069	(150,797)	48,345	(31,203)	48,557
Net comprehensive loss	\$ (2,202,918)	\$ (2,767,099)	\$ (1,787,114)	\$ (1,061,277)	\$ (2,376,861)	\$ (2,898,661)	\$ (1,380,298)	\$ (1,929,888)
Attributed to non-controlling interest	7,511	(79,919)	67,874	2,134	20,123	97,740	34,034	170,498
Attributed to SEB shareholders	(2,210,429)	(2,687,181)	(1,854,988)	(1,063,411)	(2,396,984)	(2,996,401)	(1,414,332)	(2,100,386)
\$ (2,202,918)	\$ (2,767,099)	\$ (1,787,114)	\$ (1,061,277)	\$ (2,376,861)	\$ (2,898,661)	\$ (2,898,661)	\$ (1,380,298)	\$ (1,929,888)
Weighted average number of shares - basic	117,950,024	103,287,242	102,735,236	103,413,661	103,392,483	95,392,483	88,923,516	88,781,247
Loss per common share - basic and diluted	\$ (0.02)	\$ (0.03)	\$ (0.02)	\$ (0.01)	\$ (0.02)	\$ (0.03)	\$ (0.02)	\$ (0.02)

Revenue

Since its inception in 2011, Smart Employee Benefits has pursued an acquisition based strategy which has led to dynamic growth. During the 12 months from March 1, 2016 to February 28, 2017 the Company focused on consolidating and streamlining existing operations and did not acquire any additional companies. As a result revenue for the three month period ended February 28, 2017 remained relatively flat at \$23.1 million compared to \$23.4 million for the same period in the prior year.

Cost of revenues

Cost of revenues (“COR”) primarily reflects contractor/employee costs in the Technology Division. During Q1, 2017, COR remained relatively flat at \$19.4 million compared to \$19.1 million in the prior year.

Gross Margin

The Company’s Gross Margin (“GM”) for the three months ended February 28, 2017 decreased by \$0.5 million over the same period in the prior year. Gross Margin % (“GM %”) for Q1, 2017 was 16.1% of revenues, a decrease of 2.0% from Q1, 2016. The GM % decrease can be attributable to a change in the products mix within the Technology Division. A higher portion of Technology Division revenue is now derived from professional services which has a lower gross margin.

Operating expenses

Salaries and other compensation costs decreased by \$0.4 million from the comparative period prior year. This was due to the realization of savings associated with staff reductions following the Maplesoft acquisition.

Professional fees are comprised of accounting and legal expenses excluding those categorized as transaction costs. In the first quarter, 2017, SEB expensed nine thousand dollars more than the first quarter Fiscal 2016. The fluctuation of professional fees is associated with the costs of audit and review of financial statements to meet the requirements of both the TSX-V and the financing agreements.

Office and general costs, remained relatively flat, decreasing only slightly during the three months ended February 28, 2017 from the comparable period prior year.

Acquisition and financing costs

Acquisition and financing costs are one-time expenses associated with acquisitions and financing activities. During Q1, 2017 the Company recorded \$0.5 million of expenses compared to \$0.3 million in Q1, 2016. Fiscal 2016 expenses primarily relate to the Maplesoft acquisition and associated financing, while fiscal 2017 expenses are primarily associated with the debt reduction.

Interest and interest accretion

Interest and interest accretion decreased by \$0.4 million during the first quarter compared to the same period prior year due to debt maturity which eliminates the need for interest accretion.

Depreciation and amortization

Due to no new intangible purchases, depreciation and amortization during Q1, 2017, remained relatively constant as compared to the first quarter 2016.

Net loss from continuing operations

Loss from continuing operations for the three month period ended February 28, 2017 was consistent with the first quarter prior year, both quarters showing a loss of \$2.2 million.

Quarterly Statements of Financial Position for the eight quarters ended February 28, 2017

	Feb 28, 2017	Nov 30, 2016	Aug 31, 2016	May 31, 2016	Feb 29, 2016	Nov 30, 2015	Aug 31, 2015	May 31, 2015
Cash and cash equivalents	\$ 842,719	\$ 2,442,757	\$ 1,438,321	\$ 2,198,451	\$ 1,210,273	\$ 1,877,171	\$ 1,850,073	\$ 2,411,772
Accounts receivable	19,681,817	17,330,315	18,580,467	20,065,792	22,973,836	9,878,070	8,321,329	8,963,564
Short term notes receivable	-	347,112	324,445	310,671	-	-	-	-
Inventory	308,760	247,817	456,678	314,224	89,665	80,716	83,998	55,244
Prepays and deposits	947,076	652,102	970,956	823,643	977,879	535,844	598,088	729,986
Assets held by discontinued operations	-	-	-	2,643,452	2,607,180	5,603,762	5,503,058	6,263,961
Total Current Assets	21,780,372	21,020,103	21,770,867	26,356,233	27,858,833	17,975,562	16,356,547	18,424,528
Advances to acquisition target	-	-	-	-	-	1,125,671	-	-
Long term deposits	93,412	93,412	93,412	140,146	194,148	194,148	275,352	275,352
Long term notes receivable	3,360,541	2,806,067	-	-	-	-	-	-
Equipment and software	2,474,569	2,577,019	2,724,819	2,798,214	2,843,629	2,540,647	2,890,863	2,985,338
Intangible assets	27,412,625	28,404,233	28,475,462	29,413,309	30,352,917	14,988,945	18,087,680	15,369,135
Total Assets	\$ 55,121,519	\$ 54,900,834	\$ 53,064,560	\$ 58,707,902	\$ 61,249,527	\$ 36,824,972	\$ 37,610,441	\$ 37,054,352
Current portion of bank debt	\$ 12,997,327	\$ 12,204,140	\$ 10,265,525	\$ 11,780,825	\$ 13,884,837	\$ 7,622,497	\$ 4,811,694	\$ 4,853,464
Accounts payable and accrued liabilities	18,064,288	16,769,147	14,894,483	14,197,657	15,867,466	8,574,012	5,578,895	6,027,227
Deferred revenue	426,881	435,234	436,054	411,587	642,597	572,564	454,127	443,885
Current portion of equipment loans and leases payable	3,661	6,786	6,979	11,562	16,874	22,187	27,499	33,726
Current portion of convertible debt	1,723,334	2,224,492	3,079,838	3,912,952	3,907,304	4,097,198	3,719,884	4,095,333
Short-term notes	8,651,013	9,215,997	9,377,061	9,007,952	8,166,518	1,650,729	2,113,229	2,075,729
Liabilities held by discontinued operations	-	-	-	-	-	2,222,291	3,949,082	3,900,415
Total Current Liabilities	41,866,504	40,855,796	38,059,940	39,322,535	42,485,596	24,761,478	20,654,410	21,429,779
Term bank loan	1,051,000	1,226,000	1,401,000	1,837,500	-	-	2,625,000	2,887,500
Equipment loans and leases payable	6,338	7,148	-	-	-	-	-	2,187
Contingent consideration payable	2,106,302	3,649,340	4,502,444	4,713,722	4,738,346	2,171,050	2,017,896	1,988,752
Convertible debt	1,374,898	1,640,238	1,617,189	1,719,664	1,680,533	1,316,920	1,514,700	1,031,200
Notes payable	1,832,286	1,832,286	1,826,510	2,761,144	3,063,510	-	-	-
Deferred income taxes	2,698,219	2,698,218	1,890,334	1,890,334	1,890,334	1,794,295	3,081,706	581,706
Preferred shares	350,000	350,000	350,000	350,000	350,000	350,000	350,000	350,000
Total Long Term Liabilities	9,419,043	11,403,230	11,587,477	13,272,364	11,722,723	5,632,265	9,589,302	6,841,345
Share capital, warrants, options, associated costs and contributed surplus	36,022,285	32,614,990	30,982,100	31,890,845	31,707,918	28,560,188	26,489,578	26,348,879
Deficit	(31,831,847)	(29,611,206)	(26,930,114)	(25,075,125)	(24,005,625)	(21,608,641)	(18,612,240)	(17,047,908)
Total Shareholders' Equity	4,190,438	3,003,784	4,051,986	6,815,720	7,702,293	6,951,547	7,877,338	9,300,971
Non-controlling interest in subsidiaries	(354,465)	(361,976)	(634,843)	(702,717)	(661,086)	(520,319)	(510,608)	(517,744)
Total Liabilities and Shareholders' Equity	\$ 55,121,519	\$ 54,900,834	\$ 53,064,560	\$ 58,707,902	\$ 61,249,526	\$ 36,824,971	\$ 37,610,441	\$ 37,054,352

Cash and cash equivalents

The cash decrease of \$1.6 million over prior quarter can be attributed to changes in working capital less cash inflows from financing activities. A more detailed discussion of cash flow can be found later in this report.

Accounts receivable

The accounts receivable balance at February 28, 2017 was \$19.7 million, a decrease of \$3.3 million compared to February 29, 2016.

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

Short term notes receivable

The short term note receivable balance at February 28, 2017 of \$0.5 million represents advances to former Maplesoft shareholders as part of the overall \$2.0 million commitment provided in the purchase agreement as described in the notes of the unaudited condensed interim consolidated financial statements.

Inventory

Adeeva, a nutritional supplements supplier, is the only SEB subsidiary which has inventory. Inventory increased by \$0.2 million compared to Q1, 2016 in preparation for the delivery of products through a new retail channel.

Prepays and deposits

Prepays and deposits remained relatively flat from Q1, 2016 with only a \$30 thousand dollar decline in the balance.

Long term deposits

The long term deposit account contains the deposit for the corporate premises in Mississauga ON which the Company relocated to in Q3, 2014. In accordance with the tenancy agreement, a portion of the rent was deducted from the deposit, hence the reduction of \$0.1 million from the comparable three months of the prior year.

Equipment and software

Equipment is comprised of the depreciated value of furniture, computer hardware and computer hardware under capital lease, while software is the depreciated value of IP. These assets at February 28, 2017 decreased by \$0.4 million compared to February 29, 2016 as a result of depreciation.

Intangible assets

Prior to February 28, 2017 the Company acquired control of nine companies (Logitek, SOMOS, Inforica, Antian, Adeeva, Stroma, Paradigm, SEBCON and Maplesoft). The difference between the purchase price of these companies and the tangible assets has been attributed to intangible assets such as software, intellectual property, customer relationships, trade names and goodwill. A valuator is contracted subsequent to material acquisition transactions to allocate the value of intangible assets and to annually test for impairment in the value.

Intangible assets decreased by \$2.9 million at February 28, 2017 over the comparable period prior year as a result of amortization of intangibles.

Bank loan

At February 28, 2017, the consolidated bank debt was \$14.0 million, an increase of \$0.1 million since February 29, 2016. Subsequent to quarter-end, new credit facilities have been obtained, and the bank debt

at February 28, 2017 was repaid. The details can be found under the heading “Uncertainty of Liquidity and Capital Requirements” later in this report.

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities at February 28, 2017 increased in comparison to the prior three months by \$1.3 million.

Deferred revenue

Deferred revenue is the amount of licensing fees and consulting service revenue paid in advance of services being rendered. Deferred revenue decreased by \$215 thousand over Q1, 2016 due to Logitek’s renegotiation of supplier terms which increased the overall revenue stream, but decreased the upfront payment.

Notes Payable

Notes payable decreased by \$0.6 million from November 30, 2016, due to repayment. Subsequent to quarter end, an additional \$7.4 million of the notes assumed as a result of the acquisition of Maplesoft in December, 2015 were repaid.

Equipment leases and loans

The balance of equipment leases and loans has decreased year of year by \$6 thousand representing repayments. One new equipment lease was entered into.

Contingent consideration payables

Contingent consideration payables are discounted liabilities to vendors of acquired companies related to future performance. SEB has recorded contingent consideration payables for Adeeva, Inforica, Paradigm and Maplesoft.

Convertible debt

The net decrease in convertible debt over Q1, 2016 of \$2.5 million reflects repayments and a small conversion. Subsequent to quarter end, additional repayments were made.

Deferred income taxes

Deferred income taxes arises from the timing difference of intangibles amortized for accounting purposes versus for tax.

Quarterly Statements of Cash flows for the eight quarters ended February 28, 2017

	Quarters							
	Dec 1, 2016 to Feb 28, 2017	Sep 1, 2016 to Nov 30, 2016	June 1, 2016 to Aug 31, 2016	Mar 1, 2016 to May 31, 2016	Dec 1, 2015 to Feb 29, 2016	Sep 1, 2015 to Nov 30, 2015	Jun 1, 2015 to Aug 31, 2015	Mar 1, 2015 to May 31, 2015
Net loss	\$ (2,202,918)	\$ (2,767,099)	\$ (1,787,114)	\$ (1,061,277)	\$ (2,376,861)	\$ (2,898,661)	\$ (1,380,298)	\$ (1,929,888)
Add items not involving cash:								
Income tax recovery	-	(301,236)	-	-	-	(58,020)	(25,000)	(25,000)
Amortization and depreciation	1,133,045	1,332,601	1,088,034	1,072,452	1,107,916	702,734	674,861	672,035
Accrued and accreted interest	146,192	55,178	82,225	55,041	189,504	322,588	336,118	332,892
Write-down of intangibles	-	-	-	-	-	551,516	-	-
Gain on sale of business	-	-	-	-	-	75,163	-	-
Share-based compensation	54,871	(6,544)	139,958	108,972	26,601	136,582	5,637	373,603
Cash flow from operating activities of continuing operations before the following:	(868,810)	(1,687,100)	(476,897)	175,188	(1,052,840)	(1,168,098)	(388,682)	(576,358)
Change in non-cash working capital	(2,255,463)	(951,921)	1,572,633	1,663,679	(335,751)	439,965	(1,113,528)	1,817,277
Cash flows from operating activities of continuing operations	(3,124,273)	(2,639,021)	1,095,736	1,838,867	(1,388,591)	(728,133)	(1,502,210)	1,240,919
Cash flows from operating activities of discontinuing operations	-	-	36,272	(187,069)	150,797	214,731	1,412,479	(622,459)
Cash flows from (used in) operating activities	(3,124,273)	(2,639,021)	1,132,008	1,651,798	(1,237,794)	(513,402)	(89,731)	618,460
Cash flows from investing activities								
Proceeds from sale of business	-	-	75,000	-	75,000	-	100,000	-
Advances to acquisition target	-	1,125,671	-	-	-	(1,125,671)	-	-
Purchase of software and equipment	-	1,761	(51,787)	(54,731)	(195,547)	(272,767)	(200,391)	(436,028)
Net cash on acquisition of Paradigm	-	-	-	-	-	-	-	(7,974,270)
Acquisition and financing costs	(516,555)	(664,890)	(558,153)	(248,017)	(365,677)	-	-	-
Cash flows from investing activities of continuing operations	(516,555)	462,542	(534,940)	(302,748)	(486,224)	(1,398,438)	(100,391)	(8,410,298)
Cash flows from investing activities of discontinuing operations	-	-	1,625,000	-	-	(200,000)	(150,000)	-
Cash flows from (used in) investing activities	(516,555)	462,542	1,090,060	(302,748)	(486,224)	(1,598,438)	(250,391)	(8,410,298)
Cash flows from financing activities								
Net proceeds from equity financings	3,245,000	1,647,408	-	-	1,557,430	2,280,000	-	-
Proceeds from exercised options/warrants	-	-	-	-	12,500	67,999	135,063	1,313
Convertible debt issued/converted (repaid)	(821,677)	(877,475)	(1,027,815)	(16,047)	-	576	(81,455)	(108,095)
Proceeds (Repayment) of bank debt	618,187	1,763,615	(1,951,800)	(266,512)	(583,009)	185,803	(304,270)	6,349,664
Proceeds (Repayment) of equipment leases/loans	(721)	(2,934)	(2,583)	(3,312)	(4,800)	(5,312)	(8,414)	(17,510)
Proceeds (Repayment) of short term notes	(1,000,000)	730,324	-	(75,000)	75,000	(606,130)	37,500	2,068,630
Financing fee	-	(80,023)	-	-	-	-	-	-
Cash flows from investing activities of continuing operations	2,040,790	3,180,915	(2,982,198)	(360,871)	1,057,121	1,922,936	(221,576)	8,294,002
Cash flows from investing activities of discontinuing operations	-	-	-	-	-	216,000	-	-
Cash flows from (used in) financing activities	2,040,790	3,180,915	(2,982,198)	(360,871)	1,057,121	2,138,936	(221,576)	8,294,002
Net change in cash for the period	(1,600,038)	1,004,436	(760,130)	988,179	(666,897)	27,096	(561,698)	502,164
Cash, beginning of period	2,442,758	1,438,322	2,198,452	1,210,273	1,877,170	1,850,074	2,411,772	1,909,608
Cash, end of period	\$ 842,719	\$ 2,442,758	\$ 1,438,322	\$ 2,198,452	\$ 1,210,273	\$ 1,877,170	\$ 1,850,074	\$ 2,411,772

Cash flows from operating activities

Cash used in operating activities from continuing operations before changes in non-cash working capital in Q1, 2017 was \$0.9 million compared to \$1.1 million in prior year's first quarter.

The Company is in the process of developing/acquiring sustainable revenue for the generation of cash flow. SEB has relied on raising the necessary cash through issues of equity capital, debt which is convertible to equity capital and debt, to fund acquisitions, operations and software development. The Company is targeting operations to be self-sustaining and cash positive.

Cash flows from investing activity

Cash used in Q1, 2017 investing activity was consistent with first quarter prior year. Both quarters used \$0.5 million facilitating this activity.

Cash flows from financing activity

SEB's two primary financing sources are equity and debt. Equity financing involves stock issuance or option/warrant exercise. Debt financing includes convertible debt, bank financing (revolving and term), short-term notes, and equipment loans and leases. Cash generated in Q1, 2017 from financing activity was \$2.0 million compared to \$1.1 in the previous year's first quarter. Net inflows from equity financing during the first quarter were \$3.2 million. This formed part of the Company's debt reduction program, through the repayment \$1.0 million of short term notes and \$0.8 million of convertibles.

Equity financing

During the fourth quarter of fiscal 2016, the Company announced a private placement of up to \$5 million ("Offering 1") with proceeds to be used for debt repayment and working capital. The private placement involved a \$0.20 unit offering, with each unit consisting of one common share and one common share purchase warrant. The warrants are exercisable into one common share at \$0.30 per share for 18 months from the date of issuance. The First Tranche of Offering 1 closed prior in the fourth quarter of 2016 and raised \$1.65 million. During the first quarter of 2017, the Company closed the Second and Third Tranche raising a further \$3.35 million.

In addition, the first three tranches of SEB's \$1.5 million unit offering ("Offering 2") were closed subsequent to the first quarter raising an additional \$905,000 of gross proceeds. Each unit was issued at a price of \$0.20, and consist of one common share and one transferable common share warrant, with each warrant being exercisable within 18 months into one common share of the Company at a price of \$0.30 per share.

Convertible Debt

During the first quarter, \$0.5 million convertible debt was repaid and no new convertible debt was issued. Subsequent to quarter end, as part of the Company's debt reduction program, an additional \$0.6 million was repaid.

Bank debt

At February 28, 2017 the bank debt balance was \$14.0 million, this was an increase of \$0.6 million from the previous quarter.

Subsequent to the first quarter the Technology Division of the Company obtained from a major Canadian bank new credit facilities as follows:

- an operating demand facility of up to \$12,000,000, which bears interest at the bank's prime rate plus 1.5%, and is accompanied with a \$75,000 corporate credit card;
- a \$5,500,000 term loan facility, which bears interest at the bank's prime rate plus 2%, with a term of 4 years and which may be repaid at any time without penalty; and

- a \$5,000,000 subordinated term loan facility, a 5-year, subordinated term facility, with the mezzanine arm of the Bank. 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).

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

These new facilities were used to:

- replace an existing operating facility and term facility with the same Canadian bank;
- replace an existing operating facility with a major international asset-based lender;
- repay short term debt assumed in the acquisition of Maplesoft Consulting Group in the amount of \$7,435,642; and
- repay other short term debt in the amount of \$1,080,000.

Short term notes

As at February 28, 2017, short term notes were \$8.7 million. \$7.4 million of this debt, primarily assumed on the acquisition of Maplesoft, was repaid subsequent to quarter end.

Equipment loans and leases

The Company made its scheduled equipment loan/lease repayments during the first quarter, reducing the liability thereof.

Below is a continuity schedule of SEB's debt:

	Term Notes		Convertible debt (1)	Equipment loans/leases	Bank Financing		Total
	SEB	Maplesoft			Term Notes	Term loan	
Balance Nov 30, 2015	\$ 1,650,729	-	\$ 6,100,620	\$ 22,187	\$ 3,412,500	\$ 4,425,997	\$ 15,612,033
Maplesoft acquisition	-	8,762,922	-	-	-	6,845,349	15,608,271
Banyan unwinding	-	-	-	-	-	(216,000)	(216,000)
Balance after transactions	1,650,729	8,762,922	6,100,620	22,187	3,412,500	11,055,346	31,004,304
Activities during Fiscal 2016							
Repaid	-	(44,781)	(1,937,122)	(19,062)	(1,136,500)	-	(3,137,465)
Converted	-	-	(10,000)	-	-	-	(10,000)
Added	679,413	-	-	10,809	-	114,112	804,334
Total	679,413	(44,781)	(1,947,122)	(8,253)	(1,136,500)	114,112	(2,343,131)
Bal Nov 30, 2016	2,330,142	8,718,141	4,153,498	13,934	2,276,000	11,169,458	28,661,173
Activities in Q1 Fiscal 2017							
Added	37,901	-	-	-	-	778,100	816,001
Repaid	(501,560)	(101,325)	(821,677)	(3,935)	(175,000)	-	(1,603,497)
Total	(463,659)	(101,325)	(821,677)	(3,935)	(175,000)	778,100	(787,496)
Bal Feb 28, 2017	\$ 1,866,483	\$ 8,616,816	\$ 3,331,821	9,999	\$ 2,101,000	\$ 11,947,558	\$ 27,873,677
Added/(Repaid)	1,181,177	(1,181,177)	-	-	(350,000)	(689,340)	(1,039,340)
New credit facilities ("NCF")	-	-	-	-	10,500,000	11,307,278	21,807,278
Repayment from NCF (2)	(500,000)	(7,435,639)	(580,000)	(540)	(1,751,000)	(11,258,218)	(21,525,397)
Total	681,177	(8,616,816)	(580,000)	(540)	8,399,000	(640,280)	(757,459)
Bal April 28, 2017	\$ 2,547,660	-	\$ 2,751,821	9,459	\$ 10,500,000	\$ 11,307,278	\$ 27,116,218

Note 1 - Based on face value

Note 2 - or retained by trust for repayment

Operations Discussion

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

Select consolidated segmented highlights for the three months ended February 28, 2017 and 2016

	For the three months ended February 28, 2017				For the three months ended February 28, 2016			
	Benefits	Technology	Corporate	Total	Benefits	Technology	Corporate	Total
Revenues	\$ 453,644	\$ 22,694,316	\$ 0	\$ 23,147,959	\$ 358,315	\$ 23,009,502	\$ 0	\$ 23,367,818
Cost of revenues	214,278	19,213,288	-	19,427,566	172,553	18,973,556	-	19,146,109
Gross Margin	239,366	3,481,028	-	3,720,394	185,762	4,035,946	-	4,221,709
Gross Margin %	53%	15%		68%	52%	18%		69%
Operating costs	746,864	2,538,379	375,699	3,660,941	597,397	2,529,704	917,334	4,044,435
Share-based compensation	-	-	54,873	54,873	-	-	26,601	26,601
Adjusted EBITDA	(507,498)	942,649	(430,571)	4,580	(411,635)	1,506,242	(943,935)	150,673
Acquisition and financing costs	179,839	336,716	-	516,555	-	317,727	-	317,727
EBITDA	(687,337)	605,933	(430,571)	(511,975)	(411,635)	1,188,515	(943,935)	(167,054)
Interest and interest accretion	3,408	450,006	103,852	557,265	36,887	577,850	336,357	951,094
Income tax (recovery)	-	634	-	634	-	-	-	-
Amortization and Depreciation	106,196	1,026,849	-	1,133,045	104,218	1,003,698	-	1,107,916
Net loss before discontinued operations	\$ (796,941)	\$ (871,555)	\$ (534,423)	\$ (2,202,919)	\$ (552,740)	\$ (393,033)	\$ (1,280,292)	\$ (2,226,064)
Discontinued operations	-	-	-	-	150,797	-	-	150,797
Net comprehensive income	\$ (796,941)	\$ (871,555)	\$ (534,423)	\$ (2,202,919)	\$ (703,537)	\$ (393,033)	\$ (1,280,292)	\$ (2,376,861)

Benefits Division

The Benefits Division has combined the services of multiple standalone companies to develop SEB's Benefits Exchange Platform. SEB's solutions and expertise fall into five categories:

1. Adjudication and Health Benefits Processing – SEB has developed a SaaS/BPO based platform for processing employer and government funded health benefit claims that provides an integrated, end-to-end solution, capable of processing the administration, payments, billing and adjudication of health benefits claims. The platform automates the administration and processing of all benefit types into one environment and provides real-time reporting at the employee/detailed benefit level. This unique object-oriented rules base platform allows trained administrators, not programmers, to create and implement new rules in minutes, and enhance automation.
2. Health and Wellness Solutions – SEB hosts a content-rich, fully automated delivery environment, providing fact-based, actionable health and wellness data for employees, plan members, plan sponsors and insurers, which educates and provides an automated framework to implement and sustain health improvement strategies.
3. Predictive Analytics and Fraud Identification– Analysis of historical big data using algorithms facilitate the creation of fraud identification rules which are incorporated in real-time adjudication environments and may assist in pricing.
4. Enterprise Service Bus – Business Process Data Management Module for tying legacy data systems to new technology solutions, automating access to historic data.
5. Technology Infrastructure and Expertise – Extensive data management expertise including data centers, PCI certified security, systems integration, business intelligence, software development, CRM, BizTalk, PeopleSoft, BPO, ITIL, Professional Services, Hosting, Project Management, etc. This infrastructure and expertise make everything work as an integrated solution.

The Benefits Division includes the following active companies:

- SES Benefits Canada Corporation
- SEB Administration Services Inc.
- SEB Analytics Inc.
- Adeeva Nutritionals Canada Inc.
- Meschino Health and Wellness Corporation
- SEB Benefits and HR Consulting Inc.

During the three months, the Benefits Division recorded a negative EBITDA of \$0.7 million of which the majority represents the on-going development costs of both the Adjudication/Administrative Claims Processing Platform, and the Meschino Wellness Platform.

Benefits Division Expansion

The Company is actively reviewing acquisitions and joint venture opportunities, together with strategic partnerships, as drivers of the Benefits Division's growth strategy. SEB has launched its Broker Affiliate Program and Joint-Venture White Label TPA Program. Both will require additional investment in sales and marketing which may affect the Benefits Divisions results in Fiscal 2017. Management projects reaching a positive EBITDA run rate in Fiscal 2017 as investments in the Fiscal 2016 start to realize returns. Prior to 2016, much of the focus had been on the Technology Division. SEB's competitive advantage is technology, and it was imperative that the Company have a strong, profitable Technology Division to enable SEB to capitalize on growth opportunities in its Benefits Division.

Subsequent to the first quarter, SEB acquired Aon Hewitt Inc.'s ("Aon") mid-market health and welfare benefits administration business in Canada and formed a strategic alliance with Aon. This book of business has 48 clients (many with globally recognized brands), and represents over 250,000 plan members across Canada. As part of this transaction, SEB also acquired several complementary technology platforms and will add approximately 150 employees from across Canada and India.

Technology Division

The Technology Division is a profitable business with a multi-three months backlog in non-benefits processing areas. It focuses on three segments: Consulting/Professional Services, Systems Integration/Specialty Practices and Infrastructure.

The Consulting/Professional Services segment has over 460 contract consultants and over 300 employees providing technical consulting and services, across multiple specialty practice areas, to the national client base of over 200 active corporate and government clients.

SEB operates as a systems integrator, utilizing its expertise across multiple technology platforms, together with other proprietary technologies, to provide customized solutions for highly specialized environments. Specialty practice expertise in supply chain, data migration, managed services (i.e. BPO, Security, ITIL, PeopleSoft, energy billing solutions, application support, business intelligence, ERP [Oracle], SAP, etc., certified training programs, data centre infrastructure, Call Centre infrastructure, portal solutions, FICO Solutions in fraud analysis, consulting change management, and project management). The Company maintains Gold Partnerships with Microsoft, Sequence Kinetics, DiCentral etc.

The Infrastructure segment operates two PCI (Payment Card Industry) compliant data centres plus a Disaster Recovery site in state-of-the-art environments in Canada which supports mission-critical systems for some of Canada's largest companies. It has an India outsourcing office with almost 50 support employees with multiple skill certifications supporting Canadian and UAE clients; a 24/7 Call Centre;

and supply chain integration portals which connect multiple suppliers across multi-currency, multi-lingual environments, integrating with warehousing, inventory and financial systems.

The Technology Division includes the following active companies:

- SOMOS Consulting Group Ltd.
- Stroma Service Consulting Inc.
- APS—Antian Professional Services Inc.
- Logitek Technology Ltd.
- Paradigm Consulting Group Inc.
- Inforica Inc., Inforica Technology Solutions, and Inforica Energy Solutions
- Maplesoft Group Inc., Maplesoft Consulting Inc., Northern Brainwaves, and Group Maplesoft Quebec Inc.

As anticipated, seasonality impacted the performance in the Technology Division. Revenues declined \$0.3 million while adjusted EBITDA for the three months ended February 28, 2017 was \$0.9 million, compared from \$1.5 million in the first quarter previous year.

Divisional restructuring

Changes continue to be made to each of the entities to streamline operations, reduce costs, and leverage synergies between the companies. It is anticipated that Maplesoft, SOMOS, and Antian will be amalgamated in the near future.

Corporate Office

The Corporate office includes the following active companies:

- Smart Employee Benefits Inc.
- Smart Employee Solutions Inc.

Financial Discussion

During the three months, \$0.4 million was expensed in the Corporate Office for salaries, professional services and office and general costs. As a result of streamlining, Corporate Office showed a \$0.5 million decrease over Q1, 2016 costs.

Risk and Uncertainties

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

Going Concern

The consolidated financial statements have been prepared on a going concern basis which presumes that the Company will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the normal course of its operations. The 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.

SEB's accumulated deficit increased to \$31.8 million at February 28, 2017 from \$29.6 million at November 30, 2016. For the three months ended February 28, 2017 and 2016, the Company incurred net losses of \$2.2 million and \$2.4 million respectively.

The Company's working capital deficiency increased by \$0.3 million from the previous quarter to \$20.1 million at February 28, 2017, however, subsequent to quarter end, new credit facilities have been obtained which restructure short term debt into longer term, substantially improving the ratio.

To remain a going concern, the Company will require additional capital to enable it to further develop its software and generate future positive cash flows. It cannot be determined at this time whether these objectives will be realized. Management of the Company has to date been successful in raising capital through equity and debt offerings. However, there is no assurance that the Company will continue to be successful in the future.

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

Uncertainty of Liquidity and Capital Requirements

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations such as accounts payable out of cash. The Company's future liquidity is dependent on factors such as the ability to generate cash from operations and to raise money through debt or equity financing. The Company has disclosed in Note 1 of the consolidated financial statements the existence of circumstances which cast doubt on its ability to continue as a going concern.

During the quarter and subsequent there to additional equity was raised. In addition, subsequent to the first quarter new credit facilities were obtained. These activities form part of the Company's strategy to reduce its short term debt.

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 some of the Company's subsidiaries. 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 their security and liquidate the assets of the Company.

Below are two tables outlining the debt repayment commitments as at February 28, 2017/April 28, 2017, before and after the repayments from the new credit facility:

Major Debt maturity schedule at February 28, 2017

	Term Notes	Maplesoft Debt	Equipment Financing	Convertibles (1)	Bank Term Debt	Total
Fiscal 2017	\$ 1,866,483	\$ 6,784,530	\$ 2,430	\$ 1,806,668	\$ 1,050,000	\$ 11,510,111
Fiscal 2018	-	-	3,240	1,389,820	1,051,000	2,444,060
Fiscal 2019	-	-	3,240	135,333	-	138,573
Fiscal 2020	-	1,832,286	1,089	-	-	1,833,375
	\$ 1,866,483	\$ 8,616,816	\$ 9,999	\$ 3,331,821	\$ 2,101,000	\$ 15,926,119

Note (1) Based on face value of notes

Major Debt maturity schedule at April 28, 2017

	Term Notes	Maplesoft Debt	Equipment Financing	Convertibles (1)	Bank Term Debt	Total
Fiscal 2017	\$ 1,366,483	\$ -	\$ 1,890	\$ 1,226,668	\$ 802,083	\$ 3,397,124
Fiscal 2018	-	-	3,240	1,389,820	1,375,000	2,768,060
Fiscal 2019	1,181,177	-	3,240	135,333	1,375,000	2,694,750
Fiscal 2020	-	-	1,089	-	1,375,000	1,376,089
Fiscal 2021	-	-	-	-	572,917	572,917
Fiscal 2022	-	-	-	-	5,000,000	5,000,000
	\$ 2,547,660	\$ -	\$ 9,459	\$ 2,751,821	\$ 10,500,000	\$ 15,808,940

Note (1) Based on face value of notes

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, the Company may have to reduce substantially or otherwise eliminate certain expenditures. There can be no assurance that the Company will be able to raise additional capital if its capital resources are depleted or exhausted. Further, due to regulatory impediments and lack of investor appetite, the ability of the Company to issue additional common shares or other securities exchangeable for or convertible into common shares to finance acquisitions may be restricted.

Credit Risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. For financial assets, this is typically the gross carrying amount, net of any amounts offset and any impairment losses. In the normal course of business, the Company is exposed to credit risk from its customers and the related accounts receivable are subject to normal industry credit risk. To mitigate this risk the Company primarily deals with blue chip and government clients and reviews the creditworthiness of material new customers, monitors customer payment performance and, where appropriate, reviews the financial condition of existing customers. The Company establishes an allowance for doubtful accounts that corresponds to the specific credit risk of its customers and economic circumstances. As at February 28, 2017 the allowance for doubtful accounts was \$383,589 (Q4, 2016 - \$383,589). The increase over prior three months related to accounts acquired with the Maplesoft acquisition. Accounts that were past

due amounted to \$569,407 (Q4, 2016 - \$565,838). Given SEB's client base, Management believes the Company is not exposed to any significant credit rate risk.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The bank loan bears interest at floating rates and as such is subject to interest rate cash flow risk resulting from market fluctuations in interest rates. A 1% appreciation (depreciation) in the interest rate would result in a change in interest expense of approximately of \$265,104. Management believes that the Company is not currently exposed to any significant interest rate risk.

Acquisitions and Integration

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

The successful integration and management of acquired businesses involves numerous risks that could adversely affect SEB's growth and profitability, including that:

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

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

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

Subsequent to the first quarter, SEB acquired Aon Hewitt Inc.'s ("Aon") mid-market health and welfare benefits administration business in Canada and formed a strategic alliance with Aon. This book of business has 48 clients (many with globally recognized brands), and represents over 250,000 plan members across Canada. As part of this transaction, SEB also acquired several complementary technology platforms and will add approximately 150 employees from across Canada and India. It is anticipated that the initial transitional process will involve additional investment by the Company, until the newly acquired business can be fully integrated into SEB.

Information Technology Systems

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

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

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

Confidentiality of Personal and Health Information

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

SEB takes client privacy very seriously and complies with all aspects of the PIPEDA legislation and other relevant information. It is the SEB's intention that all employees are trained on privacy, and sign written acknowledgement and non-disclosure agreements. Further data is maintained in restricted areas on a secure infrastructure.

Key Personnel

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

Accounting, Tax and Legal Rules and Laws

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

Internal Control over Financial Reporting and Disclosure Controls and Procedures

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

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

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

Capital Investment

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

Ethical Business Conduct

A violation of law, the breach of Company policies or unethical behavior may impact on the Company's reputation which in turn could negatively affect the Company's financial performance. The Company has established policies and procedures, including a Code of Business Conduct, to support a culture with high ethical standards.

Volatile Market Price for Securities of the Company

The market price for securities may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Company's control, including the following:

- actual or anticipated fluctuations in the Company's quarterly results of operations;
- changes in estimates of future results of operations by the Company or securities research analysts;
- changes in the economic performance or market valuations of other companies that investors deem comparable to the Company;
- addition or departure of the Company's executive officers and other key personnel;
- release or other transfer restrictions on outstanding securities;
- sales or perceived sales of additional securities;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Company or its competitors; and,
- news reports relating to trends, concerns or competitive developments, regulatory changes and other related issues in the Company's industry or target markets.

Financial markets experience significant price and volume fluctuations that particularly affect the market prices of securities of companies regardless of operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the securities of the of the Company may decline even if the Company's operating results, underlying asset values or prospects have not changed.

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

Future Sales of the Company's Securities by Directors and Executive Officers

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

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

Directors and Officers may have a Conflict of Interest

Certain of the directors and officers of the Company may also serve as directors and/or officers of other companies and consequently there exists the possibility for such directors and officers to be in a position of conflict. Any decision made by any of such directors and officers involving the Company are being made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of the Company.

Non-IFRS Financial Measures Definitions and Reconciliation

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

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

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

“Acquisition and financing costs” is defined as transaction costs such as legal and other professional costs associated with the acquisition of a new company or debt.

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

	<i>Three months ended</i>	
	<i>28-Feb-17</i>	<i>28-Feb-16</i>
Net Loss and Comprehensive Loss	\$ (2,202,918)	\$ (2,376,861)
Income from discontinued operations	-	(150,797)
Net Loss	\$ (2,202,918)	\$ (2,226,064)
Interest and interest accretion	557,265	951,094
Income tax expense (recovery)	634	-
Depreciation and Amortization	1,133,045	1,107,916
EBITDA:	(511,974)	(167,054)
Acquisition and Financing costs	516,555	317,727
Adjusted EBITDA:	4,581	150,673