



SMART EMPLOYEE BENEFITS INC.

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				Management Discussion and Analysis
				For the three and six months ended May 31, 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 and six months ended May 31, 2017 up to the date of this report July 31, 2017. This MD&A should be read in conjunction with SEB’s Second Quarter Unaudited Interim Consolidated Financial Statements and Fiscal 2016 Audited Consolidated Financial Statements.

The Company is a reporting issuer in Ontario, Alberta and British Columbia, and is listed on the TSX-V under the symbol “SEB”. All dollar amounts are in Canadian dollars unless otherwise indicated. SEB documents and securities filings can be viewed on the SEDAR website (www.sedar.com) and additional information on the Company can be obtained 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 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 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 its financial/operating results or securities.

Non-IFRS Financial Measures

SEB’s consolidated financial statements are prepared using International Financial Reporting Standards (“IFRS”); however, this MD&A makes reference to certain non-IFRS measures such as EBITDA and Adjusted EBITDA (defined under the “Non-IFRS Financial Measures Definitions and Reconciliation” section of this report). Non-IFRS measures are used externally to provide a supplemental measure of the Company’s operating performance, facilitate comparisons, and enable analysis of the Company’s ability to meet future debt service, capital expenditures, and working capital requirements. Management uses them internally to prepare operating budgets, and assess performance. 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.

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. In addition, it provides the requisite security clearances, vendor of record arrangements and project references to successfully compete on corporate and government tenders. 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.

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.

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.

SEB intends to facilitate future growth by acquiring 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.

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.

Prior to Fiscal 2017, SEB acquired the technological infrastructure and professional services to support this vision. In the second quarter, it made its first large step into the benefits market through the acquisition of Aon Hewitt Inc.'s ("AON") mid-market health benefits administration business in Canada. This book of business has 48 globally recognized clients and represents over 250,000 plan members.

In addition to the book of business, the Company also acquired AON's administrative software which will be combined with SEB's existing administrative software and adjudication platform. With this enhanced integrated modular solution (which will be both web and cloud enabled), SEB believes it can fully compete with the largest players in the Canadian marketplace. 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, analytics and fraud prevention. If a health benefit plan fully utilized SEB's full range of benefit solutions, it is expected that SEB's earned revenue would range 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 benefits 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 enhancements while developing a complimentary administration module.
- 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 benefits administration business from AON.

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.

Segmented Results for the three and six months ended May 31, 2017 and 2016

	For the three months ended May 31, 2017				For the three months ended May 31, 2016			
	Benefits	Technology	Corporate	Total	Benefits	Technology	Corporate	Total
Revenues	\$ 2,251,992	\$ 24,621,287	\$ -	\$ 26,873,279	\$ 376,762	\$ 24,768,080	\$ -	\$ 25,144,842
Cost of revenues	149,055	19,459,932	-	19,608,987	179,847	20,227,664	-	20,407,511
Gross Margin	2,102,937	5,161,355	-	7,264,292	196,915	4,540,416	-	4,737,330
Gross Margin %	93%	21%	-	27%	52%	18%	-	19%
Operating costs	2,153,311	3,486,515	875,436	6,515,262	611,190	2,596,868	534,846	3,742,904
Share-based compensation	-	-	104,577	104,577	-	-	108,972	108,972
Adjusted EBITDA	(50,374)	1,674,840	(980,013)	644,453	(414,275)	1,943,548	(643,818)	885,454
AON transition costs	978,882	-	-	978,882	-	-	-	-
Acquisition and financing costs	121,722	803,924	-	925,646	-	248,017	47,950	295,967
EBITDA	(1,150,979)	870,916	(980,013)	(1,260,076)	(414,275)	1,695,531	(691,768)	589,487
Interest and interest accretion	15,686	457,876	230,454	704,016	(30,718)	562,707	232,254	764,243
Income tax (recovery)	-	88	-	88	-	1,140	-	1,140
Amortization and Depreciation	69,339	1,168,344	411	1,238,095	103,346	969,106	-	1,072,452
Net income (loss) before discontinued operations	(1,236,005)	(755,392)	(1,210,878)	(3,202,276)	(486,903)	162,578	(924,022)	(1,248,347)
Discontinued operations income	-	-	-	-	187,069	-	-	187,069
Net comprehensive income (loss)	\$ (1,236,005)	\$ (755,392)	\$ (1,210,878)	\$ (3,202,276)	\$ (299,834)	\$ 162,578	\$ (924,022)	\$ (1,061,278)

	For the six months ended May 31, 2017				For the six months ended May 31, 2016			
	Benefits	Technology	Corporate	Total	Benefits	Technology	Corporate	Total
Revenues	\$ 2,705,636	\$ 47,315,603	\$ -	\$ 50,021,238	\$ 735,077	\$ 47,777,582	\$ -	\$ 48,512,659
Cost of revenues	363,333	38,673,220	-	39,036,553	352,400	39,201,220	-	39,553,620
Gross Margin	2,342,303	8,642,383	-	10,984,686	382,677	8,576,362	-	8,959,039
Gross Margin %	87%	18%	-	22%	52%	18%	-	18%
Operating costs	2,900,175	6,024,894	1,251,135	10,176,203	1,208,587	5,126,570	1,452,180	7,787,337
Share-based compensation	-	-	159,450	159,450	-	-	137,477	137,477
Adjusted EBITDA	(557,872)	2,617,489	(1,410,584)	649,033	(825,910)	3,449,792	(1,589,657)	1,034,225
AON transition costs	978,882	-	-	978,882	-	-	-	-
Acquisition and financing costs	301,561	1,140,640	-	1,442,201	-	565,744	47,950	613,694
EBITDA	(1,838,316)	1,476,850	(1,410,584)	(1,772,050)	(825,910)	2,884,048	(1,637,607)	420,531
Interest and interest accretion	19,094	907,881	334,306	1,261,281	6,169	1,140,557	616,563	1,763,289
Income tax (recovery)	-	722	-	722	-	1,140	-	1,140
Amortization and Depreciation	175,536	2,195,193	411	2,371,141	188,580	1,991,788	-	2,180,368
Net income (loss) before discontinued operations	(2,032,945)	(1,626,947)	(1,745,301)	(5,405,194)	(1,020,659)	(249,437)	(2,254,170)	(3,524,265)
Discontinued operations income	-	-	-	-	36,272	-	-	36,272
Net comprehensive income (loss)	\$ (2,032,945)	\$ (1,626,947)	\$ (1,745,301)	\$ (5,405,194)	\$ (984,387)	\$ (249,437)	\$ (2,254,170)	\$ (3,487,993)

*certain prior period figures have been reclassified to conform to current period's presentation

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 Administration – 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 administration, processing 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. Due to the enhanced automation, this unique object-oriented rules base platform allows trained administrators, not programmers, to create and implement new rules in minutes.

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 ended May 31, 2017, the Benefits Division recorded Revenues in the amount of \$2.3 million, an increase of \$1.9 million over the prior year (\$2.7mm compared to \$0.7mm for the six months then ended). This substantial increase is attributed to the acquisition of AON's mid-market health benefits administration business in Canada (described more fully below).

As anticipated, due to costs of transitioning the AON business to SEB's environment, the Benefits Division recorded a negative EBITDA of \$1.2 million during the second quarter (\$1.8mm for the six months then ended). The transition of the Canadian operations is now complete, while the transition of the Indian operation is substantially complete. Costs associated with the transition are forecasted to also impact the third quarter results. Management believes these costs will be drastically reduced thereafter.

Benefits Division Expansion

During the second quarter, SEB acquired AON's mid-market health benefits administration business in Canada and formed a strategic alliance with AON. As part of this transaction, SEB also acquired several complementary technology platforms, and a bi-lingual call-centre adding approximately 150 employees across Canada and India. As this business is currently administration only, it is believed that growth/cost savings opportunities are available by combining SEB's current administration solutions, marketing SEB's adjudication and wellness platforms, and leveraging the call-centre operations the other business opportunities. This acquisition is a major step forward towards the achievement of SEB's strategic vision.

Technology Division

The Technology Division is a profitable business with a backlog in non-benefits processing areas. It focuses on three segments: Consulting/Professional Services, Systems Integration Practice 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 a national client base of over 200 active corporate and government clients.

SEB's Systems Integration Practice facilitates integrations of multiple technology platforms with other proprietary technologies to provide customized solutions for highly specialized environments. Its Specialty Practice provides expertise in supply chain, data migration, managed services (i.e. BPO, Security, ITIL, PeopleSoft, energy billing solutions, application support, business intelligence, ERP [Oracle, SAP], certified training programs, portal solutions, FICO Solutions in fraud analysis). 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.

Revenues in the Technology Division remained relatively flat for the six months ended May 31, 2017 compared to prior year (\$47.3mm vs. \$47.8mm). The slight decline can be attributed to the impact of government changes on the Western Canadian operations. It is anticipated that the impact of these changes is strictly short term. The decline in the western business was off-set by increase in the Central Canadian operations.

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 during Fiscal 2017.

Corporate Office

The Board of Directors is accountable to the shareholders and oversees the performance of the organization. Management is responsible for the operational decisions of the organization in accordance with the Board's mandate. During the quarter, SEB welcomed both Mr. Michael Pesner, CPA, CA and Mr. Philip Armstrong as Independent Directors to its Board and thanked Mr. Walter Simone for his six years of service as he stepped down as non-independent Director.

The Corporate Office includes Board and Management expenses, as well as, expenses pertaining to operating the public entity and costs which benefit the organization as a whole. It includes the following active companies:

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

Financial Discussion

During the three months ended May 31, 2017, \$1.0 million was expensed in the Corporate Office for salaries, professional services and office and general costs compared to \$0.6 million in the prior year (\$1.4 mm vs \$1.6 mm for the six months then ended). The second quarter increase represents additional accruals for audit and valuation costs associated with growth, as well as additional expenses associated with debt restructuring.

Financial Discussion

Quarterly Statements of Comprehensive Loss for the Eight Quarters ended May 31, 2017

	Mar 1, 2017 to May 31, 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
Revenue	\$ 26,873,279	\$ 23,147,959	\$ 24,282,360	\$ 24,432,755	\$ 25,144,842	\$ 23,367,818	\$ 12,506,542	\$ 9,680,417
Cost of revenues	19,608,988	19,427,565	20,296,160	20,167,748	20,407,511	19,146,109	9,552,159	6,975,219
Gross Margin	7,264,291	3,720,394	3,986,200	4,265,007	4,737,331	4,221,709	2,954,382	2,705,198
<i>Gross Margin as a % of Revenue</i>	27.0%	16.1%	16.4%	17.5%	18.8%	18.1%	23.6%	27.9%
Salaries and other compensation costs	4,252,892	2,064,527	1,867,721	2,099,415	2,529,953	2,454,313	1,973,925	1,591,899
Professional fees	703,043	458,107	392,354	362,103	201,392	449,126	941,013	352,176
Office and general	1,663,904	1,138,307	1,625,131	1,131,946	1,120,531	1,167,597	1,559,414	963,236
Change in fair value of contingent liability	-	54,872	476,052	-	-	-	(128,350)	-
Adjusted EBITDA:	644,452	4,581	(375,058)	671,543	885,456	150,673	(1,391,620)	(202,114)
Gain on sale of a portion of the business	-	-	-	-	-	-	24,837	-
AON transition costs	978,882	-	-	-	-	-	-	-
Acquisition and financing costs	925,646	516,555	664,890	558,153	295,967	317,727	180,000	-
Write-down of intangibles	-	-	-	-	-	-	551,516	-
EBITDA:	(1,260,076)	(511,974)	(1,039,948)	113,390	589,489	(167,054)	(2,098,299)	(202,114)
Interest and interest accretion	704,016	557,265	634,180	776,133	764,243	951,094	471,874	482,120
Income tax	88	634	(239,629)	639	1,140	-	(335,285)	(10,000)
Depreciation and amortization	1,238,096	1,133,045	1,332,601	1,088,034	1,072,452	1,107,916	712,118	674,861
Net loss before discontinued operations	(3,202,276)	(2,202,918)	(2,767,099)	(1,751,416)	(1,248,346)	(2,226,064)	(2,947,006)	(1,349,095)
Income (Loss) from discontinued operations net of tax	-	-	-	(35,698)	187,069	(150,797)	48,345	(31,203)
Net comprehensive loss	\$ (3,202,276)	\$ (2,202,918)	\$ (2,767,099)	\$ (1,787,114)	\$ (1,061,277)	\$ (2,376,861)	\$ (2,898,661)	\$ (1,380,298)
Attributed to non-controlling interest	44,338	7,511	(79,919)	67,874	2,134	20,123	97,740	34,034
Attributed to SEB shareholders	(3,246,614)	(2,210,429)	(2,687,181)	(1,854,988)	(1,063,411)	(2,396,984)	(2,996,401)	(1,414,332)
	\$ (3,202,276)	\$ (2,202,918)	\$ (2,767,099)	\$ (1,787,114)	\$ (1,061,277)	\$ (2,376,861)	\$ (2,898,661)	\$ (1,380,298)
Weighted average number of shares - basic	129,287,048	117,950,024	103,287,242	102,735,236	103,413,661	103,392,483	95,392,483	88,923,516
Loss per common share - basic and diluted	\$ (0.03)	\$ (0.02)	\$ (0.03)	\$ (0.02)	\$ (0.01)	\$ (0.02)	\$ (0.03)	\$ (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 second quarter, the Company acquired AON's mid-market business which contributed \$1.8mm to the increased revenues. This increase was offset by a slight decline in the Technology Division's revenue of \$0.1 mm resulting from the impact of government changes in Western Canada.

Cost of revenues

Cost of revenues ("COR") primarily reflects contractor/employee costs in the Technology Division. During the three months ended May 31, 2017 COR decreased by \$0.8 mm over the comparable period prior year which is in line with the decrease in Technology Division.

Gross Margin

The Company's Gross Margin ("GM") for the three months ended May 31, 2017 increased by \$2.5mm over the same period in the prior year (\$2.0mm for the six months then ended). This increase is primarily due to the higher margins on the Benefits Division compared to the Technology Division (87% vs. 18% YTD).

Gross Margin % ("GM %") remained relatively flat YTD for the Technology Division at 18% compared to 18% in the comparable period prior year; while the Division's GM % for the three months ended May 31, 2017 increased from 18% in the prior year to 21% due to the mix of products/services. The AON acquisition dramatically impacted the Benefits Division GM% increasing it from 52% for the three months ended May 31, 2016 to 93% in Q2, 2017.

Operating expenses

Operating expenses increased \$2.8mm from the comparative quarter prior year (\$2.4mm YTD). These increases reflect the operating costs associated with the AON book of business, as well as increased professional fees associated with a growing organization.

AON transition costs

As part of the agreement with AON, AON continued to host the administrative team and infrastructure within the AON environment until SEB was able to fully integrate both. It was originally anticipated that the transition would take three months. In Canada, the transition is complete, and in India, the transition is substantially complete.

Acquisition and financing costs

Acquisition and financing costs are one-time expenses associated with acquisitions and financing activities. During Q2, 2017 the Company recorded \$0.9 million of expenses compared to \$0.3 million in Q2, 2016 (\$1.4mm vs \$0.6mm for the six months then ended). Fiscal 2016 expenses primarily relate to the Maplesoft acquisition and associated financing, while 2017 expenses are associated with the debt restructuring.

Interest and interest accretion

Interest and interest accretion increased by \$60 thousand during the second quarter compared to the same period prior year (decreased by \$0.5mm for the six months ended). With the debt restructured, it is anticipated that interest expense will be significantly less for the remainder of Fiscal 2017 and beyond.

Depreciation and amortization

Due to the AON acquisition amortization of intangibles increased during Q2, 2017, compared to the prior year.

Net loss from continuing operations

Loss from continuing operations for the three month period ended May 31, 2017 was \$3.2mm compared to \$1.2mm in the second quarter prior year (\$5.4mm compared to \$3.5mm for the six months ended).

These losses were anticipated due to the additional costs associated with both the debt restructuring and the AON acquisition and its transition into the SEB environment.

Quarterly Statements of Financial Position for the Eight Quarters ended May 31, 2017

	May 31, 2017	Feb 28, 2017	Nov 30, 2016	Aug 31, 2016	May 31, 2016	Feb 29, 2016	Nov 30, 2015	Aug 31, 2015
Cash and cash equivalents	\$ 897,261	\$ 842,719	\$ 2,442,757	\$ 1,438,321	\$ 2,198,451	\$ 1,210,273	\$ 1,877,171	\$ 1,850,073
Accounts receivable	22,473,583	19,681,817	17,330,315	18,580,467	20,065,792	22,973,836	9,878,070	8,321,329
Short term notes receivable	-	-	347,112	324,445	310,671	-	-	-
Inventory	243,569	308,760	247,817	456,678	314,224	89,665	80,716	83,998
Prepays and deposits	1,246,926	947,076	652,102	970,956	823,643	977,879	535,844	598,088
Assets held by discontinued operations	-	-	-	-	2,643,452	2,607,180	5,603,762	5,503,058
Total Current Assets	24,861,339	21,780,372	21,020,103	21,770,867	26,356,233	27,858,833	17,975,562	16,356,547
Advances to acquisition target	-	-	-	-	-	-	1,125,671	-
Long term deposits	93,412	93,412	93,412	93,412	140,146	194,148	194,148	275,352
Long term notes receivable	3,377,257	3,360,541	2,806,067	-	-	-	-	-
Equipment and software	2,685,538	2,474,569	2,577,019	2,724,819	2,798,214	2,843,629	2,540,647	2,890,863
Intangible assets	26,709,876	27,412,625	28,404,233	28,475,462	29,413,309	30,352,917	14,988,945	18,087,680
Total Assets	\$ 57,727,422	\$ 55,121,519	\$ 54,900,834	\$ 53,064,560	\$ 58,707,902	\$ 61,249,527	\$ 36,824,972	\$ 37,610,441
Current portion of bank debt	\$ 13,103,575	\$ 12,997,327	\$ 12,204,140	\$ 10,265,525	\$ 11,780,825	\$ 13,884,837	\$ 7,622,497	\$ 4,811,694
Accounts payable and accrued liabilities	22,822,889	18,064,288	16,769,147	14,894,483	14,197,657	15,867,466	8,574,012	5,578,895
Deferred revenue	341,899	426,881	435,234	436,054	411,587	642,597	572,564	454,127
Current portion of equipment loans and leases payable	3,661	3,661	6,786	6,979	11,562	16,874	22,187	27,499
Current portion of convertible debt	2,547,368	1,723,334	2,224,492	3,079,838	3,912,952	3,907,304	4,097,198	3,719,884
Short-term notes	1,599,728	8,651,013	9,215,997	9,377,061	9,007,952	8,166,518	1,650,729	2,113,229
Liabilities held by discontinued operations	-	-	-	-	-	-	2,222,291	3,949,082
Total Current Liabilities	40,419,120	41,866,504	40,855,796	38,059,940	39,322,535	42,485,596	24,761,478	20,654,410
Term bank loan	9,125,000	1,051,000	1,226,000	1,401,000	1,837,500	-	-	2,625,000
Equipment loans and leases payable	5,707	6,338	7,148	-	-	-	-	-
Contingent consideration payable	2,047,064	2,106,302	3,649,340	4,502,444	4,713,722	4,738,346	2,171,050	2,017,896
Convertible debt	56,001	1,374,898	1,640,238	1,617,189	1,719,664	1,680,533	1,316,920	1,514,700
Notes payable	1,371,510	1,832,286	1,832,286	1,826,510	2,761,144	3,063,510	-	-
Deferred income taxes	2,698,219	2,698,219	2,698,218	1,890,334	1,890,334	1,890,334	1,794,295	3,081,706
Preferred shares	350,000	350,000	350,000	350,000	350,000	350,000	350,000	350,000
Total Long Term Liabilities	15,653,501	9,419,043	11,403,230	11,587,477	13,272,364	11,722,723	5,632,265	9,589,302
Share capital, warrants, options, associated costs and contributed surplus	37,033,178	36,022,285	32,614,990	30,982,100	31,890,845	31,707,918	28,560,188	26,489,578
Deficit	(35,068,248)	(31,831,847)	(29,611,206)	(26,930,114)	(25,075,125)	(24,005,625)	(21,608,641)	(18,612,240)
Total Shareholders' Equity	1,964,930	4,190,438	3,003,784	4,051,986	6,815,720	7,702,293	6,951,547	7,877,338
Non-controlling interest in subsidiaries	(310,128)	(354,465)	(361,976)	(634,843)	(702,717)	(661,086)	(520,319)	(510,608)
Total Liabilities and Shareholders' Equity	\$ 57,727,422	\$ 55,121,519	\$ 54,900,834	\$ 53,064,560	\$ 58,707,902	\$ 61,249,526	\$ 36,824,971	\$ 37,610,441

Cash and cash equivalents

The cash decrease of \$1.5 million during the first six months of Fiscal 2017. This decrease can be attributed to the expenses associated with the acquisition of AON, and debt restructuring. A more detailed discussion of cash flow can be found later in this report.

Accounts receivable

The accounts receivable balance at May 31, 2017 was \$22.5 million, an increase of \$5.1 million from November 30, 2016. The increase stems from newly acquired receivables associated with the AON acquisition, as well as, a slightly longer turnover in the Technology Division.

Due to the nature of SEB's typical client (i.e. government or large corporations), 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 decrease in the short term note receivable balance from November 30, 2016 of \$347 thousand represents a reclassification of 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 remained relatively flat during the first two quarters of Fiscal 2017.

Prepays and deposits

Prepays and deposits increased by \$0.6mm primarily due to upfront payments on behalf of clients as part of the Technology Division's event management business.

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. There has been no change to the balance from November 30, 2016.

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. At May 31, 2017 the balance increased by \$0.1 million from November 30, 2016 as a result of the assets purchased in the AON transaction, offset by depreciation for the six months.

Intangible assets

Prior to May 31, 2017 the Company acquired control of nine companies (Logitek, SOMOS, Inforica, Antian, Adeeva, Stroma, Paradigm, SEBCON and Maplesoft). In the second quarter, SEB acquired the AON book of business. The difference between the purchase price of these companies/business units and the tangible assets has been attributed to intangible assets such as software, intellectual property, customer relationships, trade names and goodwill. A valuator is contracted subsequent to material acquisition transactions to allocate the value of intangible assets and to annually test for impairment in the value. The decrease in the balance from November 30, 2016 of \$1.7 mm is the result of the assets purchased in the AON transaction, offset by amortization for six months.

Bank loan

At May 31, 2017, the consolidated bank debt was \$22.2 million, compared to \$13.4 million at November 30, 2016. This is the result of new credit facilities, which facilitated the debt restructuring program. The

details can be found under the heading “Liquidity and Capital Requirements” later in this report.

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities at May 31, 2017 increased from November 30, 2016 by \$6.1 million. Almost half of this amount is associated with AON transition costs while a large portion of the remainder is associated with the events management business.

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 \$93 thousand from November 30, 2016 as amounts were earned and reported as income.

Notes Payable

Notes payable decreased by \$8.2 million from November 30, 2016 due to repayment associated with the debt restructuring.

Equipment leases and loans

The balance of equipment leases and loans has decreased during the year by \$4.6 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. Over the next 12 months it is anticipated that \$1.6mm of contingent payments will be issued.

Convertible debt

Convertible debt of \$1.3mm was repaid from November 30, 2016.

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 May 31, 2017

	Quarters							
	Mar 1, 2017 to May 31, 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	Jun 1, 2015 to Aug 31, 2015
Net loss	\$ (3,202,276)	\$ (2,202,918)	\$ (2,767,099)	\$ (1,787,114)	\$ (1,061,277)	\$ (2,376,861)	\$ (2,898,661)	\$ (1,380,298)
Add items not involving cash:								
Income tax recovery	-	-	(301,236)	-	-	-	(58,020)	(25,000)
Amortization and depreciation	1,238,096	1,133,045	1,332,601	1,088,034	1,072,452	1,107,916	702,734	674,861
Accrued and accreted interest	161,979	146,192	55,178	82,225	55,041	189,504	322,588	336,118
Write-down of intangibles	-	-	-	-	-	-	551,516	-
Gain on sale of business	-	-	-	-	-	-	75,163	-
Share-based compensation	104,579	54,871	(6,544)	139,958	108,972	26,601	136,582	5,637
Cash flow from operating activities of continuing operations before the following:	(1,697,624)	(868,810)	(1,687,100)	(476,897)	175,188	(1,052,840)	(1,168,098)	(388,682)
Change in non-cash working capital	1,313,728	(2,255,463)	(951,921)	1,572,633	1,665,679	(335,751)	439,965	(1,113,528)
Cash flows from operating activities of continuing operations	(383,896)	(3,124,273)	(2,639,021)	1,095,736	1,840,867	(1,388,591)	(728,133)	(1,502,210)
Cash flows from operating activities of discontinuing operations	-	-	-	36,272	(187,069)	150,797	214,731	1,412,479
Cash flows from (used in) operating activities	(383,896)	(3,124,273)	(2,639,021)	1,132,008	1,653,798	(1,237,794)	(513,402)	(89,731)
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 AON's mid-market business	(55,153)	-	-	-	-	-	-	-
Purchase of software and equipment	(43,982)	-	1,761	(51,787)	(54,731)	(195,547)	(272,767)	(200,391)
Net cash on acquisition of Paradigm	-	-	-	-	-	-	-	-
Acquisition and financing costs	(925,646)	(516,555)	(664,890)	(558,153)	(248,017)	(365,677)	-	-
Cash flows from investing activities of continuing operations	(1,024,781)	(516,555)	462,542	(534,940)	(302,748)	(486,224)	(1,398,438)	(100,391)
Cash flows from investing activities of discontinuing operations	-	-	-	1,625,000	-	-	(200,000)	(150,000)
Cash flows from (used in) investing activities	(1,024,781)	(516,555)	462,542	1,090,060	(302,748)	(486,224)	(1,598,438)	(250,391)
Cash flows from financing activities								
Net proceeds from equity financings	828,565	3,245,000	1,647,408	-	-	1,557,430	2,280,000	-
Proceeds from exercised options/warrants	-	-	-	-	-	12,500	67,999	135,063
Convertible debt issued/converted (repaid)	(7,274,861)	(821,677)	(877,475)	(1,027,815)	(16,047)	-	576	(81,455)
Proceeds (Repayment) of bank debt	8,180,066	618,187	1,763,615	(1,951,800)	(266,512)	(583,009)	185,803	(304,270)
Proceeds (Repayment) of equipment leases/loans	(3,846)	(721)	(2,934)	(2,583)	(5,313)	(4,800)	(5,312)	(8,414)
Proceeds (Repayment) of short term notes	(266,706)	(1,000,000)	730,324	-	(75,000)	75,000	(606,130)	37,500
Financing fee	-	-	(80,023)	-	-	-	-	-
Cash flows from investing activities of continuing operations	1,463,219	2,040,790	3,180,915	(2,982,198)	(362,872)	1,057,121	1,922,936	(221,576)
Cash flows from investing activities of discontinuing operations	-	-	-	-	-	-	216,000	-
Cash flows from (used in) financing activities	1,463,219	2,040,790	3,180,915	(2,982,198)	(362,872)	1,057,121	2,138,936	(221,576)
Net change in cash for the period	54,542	(1,600,038)	1,004,436	(760,130)	988,178	(666,897)	27,096	(561,698)
Cash, beginning of period	842,719	2,442,758	1,438,321	2,198,451	1,210,273	1,877,170	1,850,074	2,411,772
Cash, end of period	\$ 897,261	\$ 842,719	\$ 2,442,757	\$ 1,438,321	\$ 2,198,451	\$ 1,210,273	\$ 1,877,170	\$ 1,850,074

**Certain numbers have been reclassified to be conform with current periods presentation

Cash flows from operating activities

Cash used in operating activities from continuing operations before changes in non-cash working capital in Q2, 2017 was \$1.7 million compared to cash inflow of \$0.2 million in the prior year (\$2.6mm used compared to \$0.9mm for the six months ended) .

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 Q2, 2017 investing activity was \$1.0 mm compared to \$0.3 mm in the second quarter prior year (\$1.5mm versus \$0.8mm for the six months then ended). Acquisition and financing costs pertaining to the AON book of business was the primary variance cause.

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 Q2, 2017 from financing activity was \$1.5 million compared to \$0.4 million used in the previous year's second quarter (\$3.5mm generated year to date compared to \$.7mm in the prior year). Net inflow from debt financing during the second quarter was \$9.0 million. This facilitated the repayment \$7.3 million of convertible debt and \$0.3 million of short term notes.

Equity financing

Since November 30, 2016, SEB has raised \$7.2 million dollars through equity financing with proceeds used for debt repayment and working capital. During the fourth quarter of fiscal 2016, the Company announced a private placement of up to \$5 million ("Offering 1"). 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 second quarter of 2017, the Company closed the Second and Third Tranche raising a further \$3.35 million.

Following Offering 1, the Company announced a second private placement of up to \$1.5 million ("Offering 2"). SEB closed \$0.9 million in the second quarter, and an additional \$50,000 subsequent there to. Each unit was issued at a price of \$0.20, and consisted 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.

Subsequent to the second quarter, SEB closed equity offerings totaling \$1,159,300. The offerings were at \$0.16 per share. Finders that introduced subscribers to the equity offering received commons shares and warrants equivalent to 7% of the number of common shares issued to such subscribers. Each finder's warrant is exercisable into one common share of the Company at \$0.20 per common share for a period of 18 months following closing.

Convertible Debt

During the first six months of Fiscal 2017, \$1.4 million convertible debt was repaid and no new convertible debt was issued.

Bank debt

At May 31, 2017 the bank debt balance was \$22.2 million, this was an increase of \$8.8 million from November 30, 2016.

During the second 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 November 30, 2016, term notes were \$11.0 million. \$8.2 million of this debt has been repaid by the end of the second quarter, 2017.

Equipment loans and leases

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

Below is a continuity schedule of SEB's debt:

	Term Notes			Bank Financing				Total
	SEB	Maplesoft	Total	Convertible debt	Equipment loans/leases	Term loan	Operating loan	
Balance Nov 30, 2015	\$ 1,650,729	-	\$ 1,650,729	\$ 6,100,620	\$ 22,187	\$ 3,412,500	\$ 4,425,997	\$ 15,612,033
Maplesoft acquisition	-	8,762,922	8,762,922	-	-	-	6,845,349	15,608,271
Banyan unwinding	-	-	-	-	-	-	(216,000)	(216,000)
Balance after transactions	1,650,729	8,762,922	10,413,651	6,100,620	22,187	3,412,500	11,055,346	31,004,304
Activities during Fiscal 2016								
Repaid	-	(44,781)	(44,781)	(1,937,122)	(19,062)	(1,136,500)	-	(3,137,465)
Converted	-	-	-	(10,000)	-	-	-	(10,000)
Added	679,413	-	679,413	-	10,809	-	114,112	804,334
Total	679,413	(44,781)	634,632	(1,947,122)	(8,253)	(1,136,500)	114,112	(2,343,131)
Balance Nov 30, 2016	2,330,142	8,718,141	11,048,283	4,153,498	13,934	2,276,000	11,169,458	28,661,173
Activities in Q1 Fiscal 2017								
Added	37,901	-	37,901	-	-	-	778,100	816,001
Repaid	(501,560)	(101,325)	(602,885)	(821,677)	(3,935)	(175,000)	-	(1,603,497)
Converted	-	-	-	-	-	-	-	-
Added	-	-	-	-	-	-	-	-
Total	(463,659)	(101,325)	(564,984)	(821,677)	(3,935)	(175,000)	778,100	(787,496)
Balance Feb 28, 2017	\$ 1,866,483	\$ 8,616,816	10,483,299	\$ 3,331,821	9,999	\$ 2,101,000	\$ 11,947,558	\$ 27,873,677
Activities in Q2 Fiscal 2017								
Transferred	1,371,510	(1,371,510)	-	-	-	-	-	-
Added/(Repaid)	233,245	-	233,245	(16,589)	(631)	(350,000)	(268,817)	(402,792)
New credit facilities ("NCF")	-	-	-	-	-	10,500,000	11,307,278	21,807,278
Repayment from NCF	(500,000)	(7,245,306)	(7,745,306)	(533,451)	-	(1,750,226)	(11,258,218)	(21,287,201)
Total	1,104,755	(8,616,816)	(7,512,061)	(550,040)	(631)	8,399,774	(219,757)	117,285
Balance May 31, 2017	\$ 2,971,238	-	\$ 2,971,238	\$ 2,781,781	9,368	\$ 10,500,774	\$ 11,727,801	\$ 27,990,962

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 \$35.1 million at May 31, 2017 from \$31.8 million at February 28, 2017. For the three months ended May 31, 2017 and 2016, the Company incurred net losses of \$3.2 million and \$1.1 million respectively.

The Company's working capital deficiency decreased by \$4.3 million from November 30, 2016 to \$15.6 million at May 31, 2017 due to the new credit facilities which have restructured 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.

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 2 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. These activities form part of the Company's strategy to further 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 is a table outlining the debt repayment commitments as at May 31, 2017:

Major Debt maturity schedule at May 31, 2017

	Notes payable	Convertible debt	Equipment lease	Term	Bank loans	Total
Fiscal 2017	\$ 1,599,728	\$ 1,273,334	\$ 3,661	\$	920,000	\$ 3,796,723
Fiscal 2018	-	1,389,820	5,707		1,375,000	2,770,527
Fiscal 2019	-	118,627	-		1,375,000	1,493,627
Fiscal 2020	1,371,510	-	-		1,375,000	2,746,510
Fiscal 2021	-	-	-		455,000	455,000
Fiscal 2022	-	-	-		5,000,000	5,000,000
	\$ 2,971,238	\$ 2,781,781	\$ 9,368	\$	10,500,000	\$ 16,262,386

**Convertible debt ties to the face value of the 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 May 31, 2017 the allowance for doubtful accounts was \$13,621 (November 30, 2016 - \$383,589) and \$158,695 of bad debt expense was recovered.

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 \$277,029 (\$283,482 at November 30, 2016). 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 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.

During the second quarter, SEB acquired Aon Hewitt Inc.'s ("Aon") mid-market health 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 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's 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.

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>Six months ended</i>	
	<i>31-May-17</i>	<i>31-May-16</i>	<i>31-May-17</i>	<i>31-May-16</i>
Net loss and comprehensive loss	\$ (3,202,276)	\$ (1,061,278)	\$ (5,405,194)	\$ (3,487,993)
Income from discontinued operations	-	187,069	-	36,272
Net loss before discontinued operations	(3,202,276)	(1,248,347)	(5,405,194)	(3,524,265)
Interest and interest accretion	704,016	764,243	1,261,281	1,763,288
Income tax expense	88	1,140	722	1,140
Depreciation and amortization	1,238,095	1,072,452	2,371,141	2,180,368
EBITDA	(1,260,077)	589,487	(1,772,050)	420,531
AON transition costs	978,882	-	978,882	-
Acquisition and financing costs	925,646	295,967	1,442,201	613,694
Adjusted EBITDA	\$ 644,451	\$ 885,454	\$ 649,033	\$ 1,034,225