



SMART EMPLOYEE BENEFITS INC.

www.seb-inc.com

   	Management Discussion and Analysis
	For the three and six months ended May 31, 2019 and 2018

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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 during and subsequent to the quarter ended May 31, 2019 up to the date of this report July 30, 2019. This MD&A should be read in conjunction with SEB’s Second Quarter 2019 Unaudited Consolidated Financial Statements (“FS”) and Fiscal 2018 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 Statement Disclaimer

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 of its financial/operating results or securities.

Non-IFRS Financial Measures

SEB’s FS are prepared using International Financial Reporting Standards (“IFRS”); whereas, this MD&A refers to certain non-IFRS measures such as Adjusted EBITDA and 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 service debt, and meet future capital 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's game-changing technology-based solutions are offered across multiple industry sectors with a focus on health care. The Company's global infrastructure is comprised of the Corporate Office ("CO") and two operating divisions: Technology and Benefits.

The Technology Division ("TD") is a standalone unit which provides professional resources and specialty data management expertise (e.g. software development/solutions, systems integration, managed services and infrastructure hosting) to corporate and government clients across Canada and internationally. Initially grown via an aggressive acquisition strategy, it now holds the requisite security clearances, vendor of record arrangements and project references to successfully compete on some of the most restrictive corporate and government tenders. As a result, the TD has significant annuity revenue streams, multi-year back-log in excess of \$300mm and delivers positive EBITDA performance.

The Benefits Division ("BD") delivers Software as a Service ("SaaS") and Business Process Outsourcing ("BPO") solutions to both corporate and government-funded health benefit environments. It has combined the services of multiple standalone companies to develop SEB's Benefits Exchange Platform which provides clients with Health Benefits Administration, Claims Adjudication, Wellness Technology, Predictive Analytics and Fraud Identification. These modular solutions can operate as an integrated environment or on a standalone basis. The BD leverages the references, vendor arrangements and resources of the TD to support the provision of these services.

The combination of the two operating divisions allows SEB to provide end-to-end total processing solutions, all managed under a single infrastructure. The efficiencies generated from leveraging resources inter-divisionally are expected to be a competitive advantage in the marketplace.

Strategic Vision

SEB's strategic vision is to become a force in the processing and administration of health care benefits for privately and publicly funded plans in North America. Industry reports indicate the Canadian Human Resource and Benefits Administration market is approximately \$11.0 billion. The market has grown 3% in the past five years, and it is believed that the industry is poised for growth due to higher levels of corporate profits being expected to drive demands for outsourced HR services.

Prior to Fiscal 2017, SEB acquired the technological infrastructure and professional services to support this vision. In the second quarter of Fiscal 2017, it made its second 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 had 48 globally recognized clients representing over 250,000 plan members when second acquired. Since then, 23 of 24 client contracts which had matured have been renewed (representing approximately 110,000 plan members), and seven new clients (representing approximately 79,000 plan members) have been added. Management expects the high renewal rate will continue.

In addition to the book of business, the Company also acquired AON's benefit administration software which is being combined with SEB's existing administration software and adjudication platform. This enhanced integrated modular solution (which is both web and cloud-enabled) allows SEB to fully compete against the largest players in the Canadian marketplace. A significant competitive advantage is SEB's Benefit Exchange Platform. Management estimates that revenue per participant per month ("RPPPM") which ranges currently between \$3-\$9 could grow to over \$20-\$42 RPPPM once additional modules are leveraged. Given the highly scalable nature of the technology, Management forecasts that, once the fixed charges of operating the platform are covered, a significant portion of the incremental increases in revenue will flow directly to EBITDA.

SEB's growth objectives are to increase its client base and expand its service offerings to existing clients.

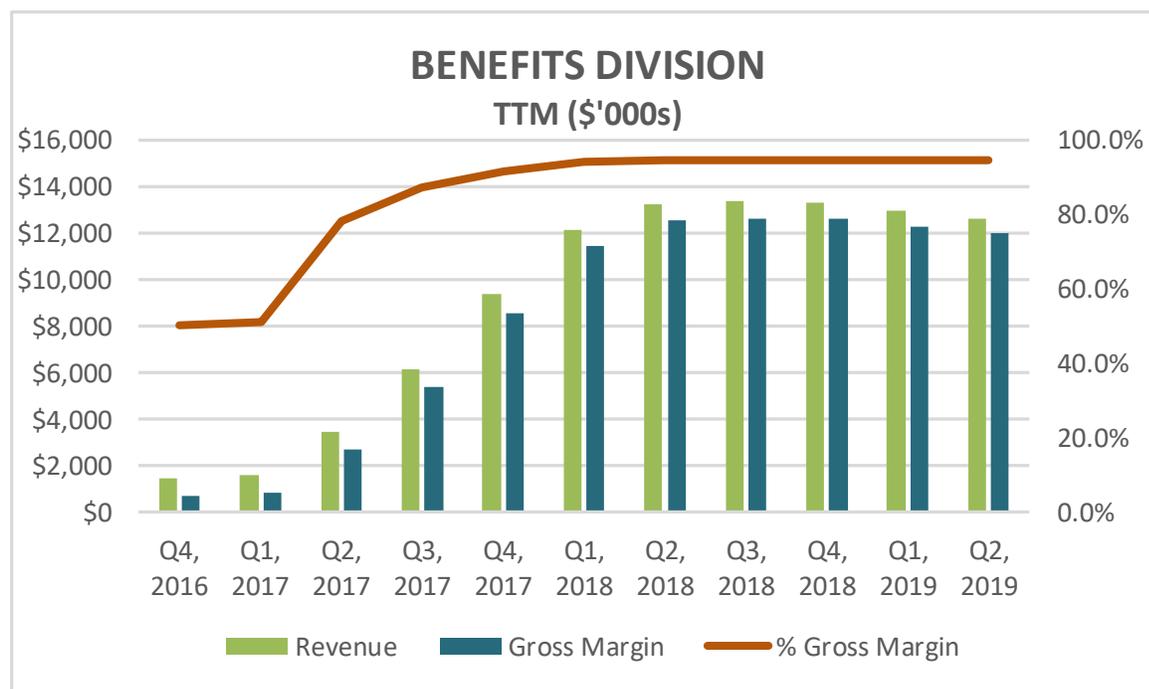
Milestones toward Achieving the Strategic Vision

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 complementary administration module.
- 2012—Through a reverse takeover, became listed on the TSX 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 the necessary infrastructure, resources 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 with significant government references and vendor arrangements.
- 2017—Acquired the Canadian mid-market health benefits administration business from AON.
- 2018—Focused business model to concentrate on the higher margin Benefits Division. Signed a Letter of Intent (LOI) with Golden Opportunities Fund to sell Paradigm (NB. Effective Q4, 2018 Paradigm is disclosed as discontinued operations).
- 2019—Engaged Scotia Capital Inc. to find a strategic investment partner to capitalize on market opportunities and facilitate future growth; completed the Paradigm divestiture.

The above progress is reflected below in SEB’s Benefits Division Trailing Twelve Month (“TTM”) revenue growth chart:



Financial Discussion

Selected financial information pertaining to continuing operations from the Consolidated Statements of Net Loss and Comprehensive Loss for the three and six months ended May 31, 2019, and 2018 is presented below:

	<i>Three months ended May 31</i>		<i>Six months ended May 31</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
Revenue	\$ 17,675,478	\$ 20,019,485	\$ 34,181,808	\$ 40,529,195
Cost of revenues	12,224,037	14,061,863	23,213,686	28,599,773
Gross Margin	5,451,441	5,957,622	10,968,122	11,929,422
<i>Gross Margin as a % of Revenue</i>	<i>30.8%</i>	<i>29.8%</i>	<i>32.1%</i>	<i>29.4%</i>
Operating costs	5,662,710	5,138,012	11,968,328	10,892,445
Professional fees	315,072	553,123	452,184	753,171
Adjusted EBITDA	(526,341)	266,487	(1,452,390)	283,806
AON transition costs	-	161,750	-	161,750
Share based compensation	63,151	425,270	139,309	524,922
Transaction costs	50,000	-	56,437	-
EBITDA	\$ (639,493)	\$ (320,533)	\$ (1,648,137)	\$ (402,866)
Net loss from continuing operations	\$ (2,367,426)	\$ (1,979,130)	\$ (4,563,385)	\$ (3,434,711)

Note 1 - During Fiscal 2018, an LOI was signed with Golden Opportunities Fund to sell Paradigm, leading to a change in financial presentation. In compliance with IFRS, the results of Paradigm and its associated assets/liabilities have been disclosed as assets held for sale in the financial statements. Subsequent to the quarter, the transaction was completed.

Schedule A at the end of this report provides detailed quarterly Consolidated Statements of Net Loss and Comprehensive Loss for the eight quarters ended May 31, 2019.

Revenue

During the second quarter, consolidated revenues from continuing operations decreased compared to prior year by \$2.3mm. In the TD, revenues decreased by \$2.0mm, while the BD revenues decreased by \$335K. For the six months ended May 31, 2019, revenues declined \$6.3mm compared to the prior year, of which \$5.7mm was in the TD. The primary reason for these decreases was 2018 revenue included several non-recurring contracts.

Paradigm has been classified as discontinued operations, and its operating results are disclosed separately. The entity's revenue improved by \$539K in the second quarter compared to prior year (\$1.1mm improvement YTD compared to prior year).

Cost of revenues ("COR")

Consolidated COR from continuing operations for the second quarter decreased by \$1.8mm over the comparable quarter prior year (\$5.4mm decrease YTD). Over 95% of COR is comprised of employee/contractor costs in the TD, and the drop in COR is consistent with the decrease in revenues.

Conversely, Paradigm's COR increased by \$280K during the quarter (\$787K YTD) compared to prior year. This increase is correlates with the improved revenue.

Gross margin ("GM")

Gross Margin % ("GM %") for continuing operations of the consolidated group of companies was 30.8% in Q2/19 compared to 29.8% in Q2/18 (26.7% in Q2/17). GM% for the six months ended May 31, 2019 for continuing operations were 32.1% compared to 29.4% in 2018 (22.1% in 2017). Improved margins in the TD were the primary contributor of the overall increase (18.4% YTD Q2/19 vs 17.5% YTD Q2/18). The BD's GM% remained relatively consistent hovering around 95% which is a significant increase compared to YTD Q2 2017 when the BD's GM% was 86.1%.

Paradigm GM% improved compared to prior year in both the quarter and the year to date results. In the second quarter, the GM % was 23.6% compared to 21.3% in the prior year (21.8% for the first half of 2019 compared to 20.8% for the first half of 2018).

Operating costs

Operating costs are comprised of compensation costs plus office and general expenses. Operating costs increased by \$525K over Q2/18 (\$1.1mm increase over the comparable six months period prior year). The net increase is split between salaries which grew by \$559K during the quarter (\$878K for YTD) and office which decreased \$34K in the quarter (increased \$198K YTD). The change is primarily attributable to the immediate expensing of development costs, as compared to their capitalization.

In Paradigm, operating costs increased over prior year by \$76K in the quarter and \$286K in the first half of 2019. The net increase is split between salaries which grew by \$102K in the quarter and \$252K YTD, and office expenses, which were reduced by \$25K in the quarter.

Professional fees

Professional fees include legal, audit, and valuation services. During Q2/19, \$238K less was expensed compared to prior year (\$301K less for the comparable six-month period). The expense swing resulted from legal fees associated with the equity/debt raises and intended asset divestitures.

In Paradigm, professional fees were significantly higher than prior year (\$205K YTD Q2/19 vs \$22K YTD Q2/18). Costs were primarily related to amending the debt agreements.

Share based compensation

Share based compensation is the non-cash value of stock options issued to Directors, Officers, employees and consultants. The valuation method used is the Black Scholes option pricing model. The inputs for the model were amended in Q4/18 as Management believed that the historic volatility frequency used was not reflective of future stock movement. This expense is amortized over the vesting periods of the stock options and does not directly correlate to the period when the options were issued.

Transaction costs

Transaction costs are one-time expenses associated with acquisition/divestiture and financing activities. Quarter over quarter transaction costs were increased by \$50K (\$56K YTD over the comparable six-month period prior year).

In Paradigm, transaction fees were significantly higher than prior year due to the divestiture transaction (\$377K YTD 19 vs \$7K).

Net loss from continuing operations

Loss from continuing operations for Q2/19 was \$388K greater than prior year (\$1.1mm greater for the six-month comparable period). A significant portion of these losses resulted from fixed assets depreciation and intangible assets amortization (\$1.8mm YTD Q2/19; \$1.6mm YTD Q2/18). Amortization of intangible assets is anticipated to negatively impact the results until 2020.

Liquidity and Capital Resources

Part of SEB's initial strategy for growth involved the acquisition of companies with significant income earning potential once fully integrated into the Company's operating model. With this targeted strategy, SEB has acquired companies (some with existing debt or negative margins) at what Management believed were value purchase prices. These acquisitions and their associated debt have placed stress on the balance sheet. Debt restructuring has been and continues to be Management's top priority. On March 5, 2019 SEB engaged Scotia Capital to evaluate and negotiate investment alternatives to strengthen the Company.

As shown by the table below, during the first half of 2019, debt was reduced by \$2.4mm. Bank debt was reduced by \$2.5mm, while other debt increased by \$146K (details of these movements are described under Select Balance Sheet Information further in this report).

	Bank debt	Other	Total
November 30, 2018			
Current debt	\$ 19,505,075	\$ 7,616,155	\$ 27,121,230
Long-term debt		1,842,308	1,842,308
	\$ 19,505,075	\$ 9,458,463	\$ 28,963,538
May 31, 2019			
Current debt	\$ 16,999,420	\$ 9,096,046	\$ 26,095,466
Long-term debt		508,793	508,793
	\$ 16,999,420	\$ 9,604,839	\$ 26,604,259
Change	\$ (2,505,655)	\$ 146,376	\$ (2,359,279)

Subsequent to the quarter, on June 1, 2019, Inforica's \$350K of preferred shares were redeemed for \$100K cash payment and \$250K note payable. In addition, on July 3, 2019, the Paradigm transaction closed, and \$4.25mm of the proceeds were applied against the bank debt.

Capital Raises

In Q1, 2019, the Company raised gross proceeds of \$872K through the issuance of 4,150,000 shares and 4,150,000 share purchase warrants. The warrants have a term of 24 months and an exercise price of \$0.30 per share. In Q2, 2019, 411,250 warrants were exercised which generated \$82K.

Subsequent to the quarter, on June 1, 2019, the \$350K preferred shares were redeemed for \$100K cash payment, and a \$250K two year note payable. In addition, on July 3, 2019, the Paradigm transaction closed and the \$3mm of the preferred shares classified as "liabilities directly associated with assets held for sale" were cancelled.

Selected Balance Sheet Information

Selected financial information from the Statements of Financial Position as at May 31, 2019 and November 30, 2018:

	<i>Note</i>	<i>May 31, 2019</i>	<i>Nov 30, 2018</i>
Cash	1	\$ 1,002,230	\$ 750,191
Accounts receivable	2	16,252,930	16,086,172
Other current assets	3	941,185	1,483,911
Assets held for sale		11,297,938	10,622,667
		<u>29,494,283</u>	<u>28,942,941</u>
Non-current assets	4	15,579,631	17,168,417
		<u>\$ 45,073,914</u>	<u>\$ 46,111,358</u>
Bank debt	5	\$ 16,999,420	\$ 19,505,075
Trade payables and other obligations	6	23,984,692	19,364,989
Other current liabilities	7	9,747,646	8,212,927
Liabilities directly associated with assets held for sale		6,256,232	5,921,434
		<u>56,987,990</u>	<u>53,004,425</u>
Non-current liabilities	8	1,388,052	2,662,772
		<u>\$ 58,376,042</u>	<u>\$ 55,667,197</u>

Schedule B at the end of this report provides detailed quarterly Consolidated Statements of Financial Position for the eight quarters ended May 31, 2019.

1. Cash

The cash balance in continuing operations increased from November 30, 2018 by \$252K. Paradigm’s cash balance of \$1.0mm is included in “Assets held for sale”. Changes in cash during the first half of 2019 are described below:

Cash flows from operating activities

Cash flows from operating activities during the first half of the year were \$3.0mm of which an outflow of \$10K is attributed to discontinued operations. The largest non-cash working item was an increase in ‘Net client liabilities to be settled’ in the amount of \$7.8mm, the extension of which facilitated the reduction in bank and other debt.

Cash flows from investing activities

Cash outflows for investing activities during the first six months of 2019 totaled \$357K of which 36% related to the capitalization of software development and the purchase of equipment, and the remainder was a note receivable advance.

Cash flows from financing activities

SEB’s two primary financing sources are equity and debt. Equity financing (discussed in more detail under Capital Raises) involves stock issuance or option/warrant exercise. Debt financing includes convertible debt, bank financing (revolving and term), term notes, royalty advance and equipment leases. Net cash used in financing activities for the first two quarters ended May 31, 2019 was \$1.7mm. The Company leveraged its cash flows activities from operations, and equity financing to reduce its bank debt by \$2.5mm. The Company also repaid \$177K in other debt obligations (leases- \$34K, notes payable-\$90K, convertible debt-\$54K).

Schedule C at the end of this report provides detailed quarterly Consolidated Statements of Cash Flows for the eight quarters ended May 31, 2019.

2. Accounts receivable

The accounts receivable balance at May 31, 2019 was \$16.3mm, a increase of \$167K from November 30, 2018. Paradigm's receivables of \$3.4mm are included in "Assets held for sale".

The Company adopted IFRS 9 in Fiscal 2018 which provides guidelines to establish an expected credit loss provision ("ECL") of trade receivables. Based on an aging analysis, the Company determined that an ECL of \$1,100,231 was appropriate at November 30, 2018 which is comparable to the ECL at May 31, 2019. However, as SEB's typical clients are government and large blue-chip corporations and there is little historic evidence of loss, Management believes the majority of the accounts receivable will be collected.

3. Other current assets

Other current assets include prepaids/deposits and inventory. Other assets decreased by \$369K. Paradigm's other current assets of \$69K are included in "Assets held for sale".

4. Non-current assets

Non-current assets include equipment, goodwill, intangible assets, premise deposits and notes receivable. Non-current assets decreased by \$1.6mm from November 30, 2018. The primary changes were \$1.7mm of intangible amortization and \$124K of depreciation.

5. Bank debt

Bank debt is classified as part of the continuing operations even though the primary borrower on the bank agreements is Paradigm. The reasoning for this is the proceeds from the bank "Facilities" (operating and term loans) are utilized by the entire Technology Division and secured by the Company and the material subsidiaries of the Company.

At May 31, 2019, the total bank debt was \$17.0mm, compared to \$19.5mm at November 30, 2018. Bank debt of \$2.5mm was repaid in the first half of the year. The balance has been recorded as a current liability, due to sale of the borrower.

The Facilities contain positive, negative and financial covenants and include other usual and customary terms and conditions. During the third and fourth quarter of Fiscal 2018, and first two quarters of Fiscal 2019 the Company did not meet certain financial covenants with respect to ratios of debt to Adjusted EBITDA.

On March 4, 2019, the Company and the Bank executed a Loan Amendment, Modification and Undertaking Agreement ("Amending Agreement") whereby the terms of the Loan Agreements were revised. Under the terms of the Amending Agreement, the Company acknowledged not meeting a financial covenant in Q3, 2018 and distributing funds within the Company's subsidiaries contrary to the Loan Agreement provisions. Under the terms of the Amending Agreement, the Bank agreed to modify the Loan Agreements such that these actions did not constitute enforceable defaults within the terms of the Loan Agreements.

On April 2, 2019, the Company and the Bank executed an Amendment to the Amending Agreement whereby the date for depositing in escrow between \$2 million and \$5 million of new capital was extended to April 15, 2019 and the date for completing the repayment of the Facilities through the sale of Paradigm and obtaining new credit facilities was extended to April 30, 2019. On July 3, 2019, the divestiture of Paradigm was completed, and the Company placed \$4.3mm in escrow to be applied against the bank debt.

6. Trade payables and other obligations

Trades payables and other obligations pertain to accounts payables, accruals, government remittances, net client liabilities to be settled and the current portion of contingent payables. The balance at May 31, 2019 increased from November 30, 2018 by \$4.6mm. Trade payables and government remittances were reduced by \$2.7mm and \$513K respectively, while net client liabilities to be settled increased by \$7.8mm. Paradigm's payables of \$2.7mm are included in "Liabilities directly associated with assets held for sale".

7. Other current liabilities

Other current liabilities are comprised of the current portion of convertible debt, short-term notes, contract liabilities, lease commitments, the royalty advance and preferred shares. Other current liabilities increased by \$1.5mm from

November 30, 2018, primarily because the \$1.3mm note payable, due within the next 12 months, is now classified as current.

8. *Non-current liabilities*

Non-current liabilities include contingent payables, notes payable, deferred taxes and preferred shares. The \$1.2mm decrease from November 2018 is primarily because the \$1.3mm note payable, due within the next 12 months, is now classified as current.

Operations Discussion

The Company is made up of a corporate office and two operating 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.

The following tables shows gross segmented results by division. Intercompany sales and costs of sales are eliminated via the “Eliminations” column. Management believes that the presentation of information in this manner allows the user to better understand divisional performance, and cross-company resource utilization.

Segmented Results for the six months ending May 31, 2019

For six month ended May 31, 2019							
	Benefits	Technology	Corporate	Eliminations	Continuing operation	Discontinued operation	Total
Revenue	\$ 6,037,054	\$ 29,310,893	\$ -	\$ (1,166,138)	\$ 34,181,809	\$ 11,897,333	\$ 46,079,142
Cost of revenues	277,234	23,921,765	-	(985,314)	23,213,686	9,305,596	32,519,282
Gross margin	5,759,819	5,389,127	-	(180,824)	10,968,123	2,591,737	13,559,860
Expenses							
Salaries and other compensation costs	5,650,777	2,583,061	860,178	(180,824)	8,913,192	936,596	9,849,788
Office and general	1,817,323	1,137,784	100,030	-	3,055,137	758,753	3,813,890
Professional fees	119,266	106,401	226,518	-	452,185	205,939	658,124
	7,587,366	3,827,246	1,186,725	(180,824)	12,420,513	1,901,288	14,321,801
Adjusted EBITDA	(1,827,547)	1,561,881	(1,186,725)	-	(1,452,390)	690,449	(761,941)
Transaction costs	-	-	56,437	-	56,437	377,180	433,617
Share-based compensation	-	-	139,309	-	139,309	-	139,309
EBITDA	(1,827,547)	1,561,881	(1,382,471)	-	(1,648,136)	313,269	(1,334,867)
Amortization of intangible assets	547,438	142,308	961,220	-	1,650,967	-	1,650,967
Depreciation of equipment	53,217	69,397	1,653	-	124,267	-	124,267
Interest and financing costs	144,114	475,042	502,337	-	1,121,493	470,155	1,591,648
Interest accretion	-	18,522	-	-	18,522	-	18,522
Income tax expense	-	-	-	-	-	120,000	120,000
Net income (loss)	\$ (2,572,317)	\$ 856,612	\$ (2,847,681)	\$ -	\$ (4,563,385)	\$ (276,886)	\$ (4,840,272)

The Benefits Division

The Benefits Division has combined the services of multiple standalone companies to develop SEB's Benefits Exchange Platform. This globally applicable platform offers a unique value proposition to clients whom, with a single sign-on, gain access to multiple benefit modules including administration, adjudication, payment processing, reporting, analytics, health and wellness, voluntary products, disability/absentee management, human resource solutions and employee discount programs. Clients can choose optimal plan designs with unlimited choices in Flex, Traditional, Multi-employer packages, and receive real time reporting with built in analytics and fraud detection. The structure of the platform makes it efficient and cost effective for SEB customers.

During the second quarter of 2017, SEB Admin acquired AON's mid-market health benefits administration business in Canada and formed a strategic alliance with AON. As part of this transaction, the company also acquired several complementary technology platforms, a bilingual call-centre and added approximately 150 employees across Canada and India. The AON book of business has generated \$24.9mm of revenue since acquisition (\$2.7mm in Q2/19 and \$5.4mm in the six months then ended).

The purchase agreement included the transition of 48 clients representing 250,000 plan members. Since then, SEB has closed eight additional contracts and renewed 23 out of 24 contracts, each with an average term of five years. SEB has also consolidated the client base onto a single platform, and launched additional modules including FlexPlus Chat, FlexPlus Pay and FlexPlus Connect to better service its clients. The Company anticipates that the full legacy technology migration will be completed in 2019.

The BD currently has over 50 of Canada's corporate elite as clients, administers over \$825mm in benefits, and has \$85mm revenue in existing contract backlog (the majority with two to five-year terms and automatically renewing). Management believes that over 95% of the current revenue base will be recurring. As this book of business generates administration revenue only, it is also believed that there are growth/cost savings opportunities which include marketing other modules within SEB's Benefit Exchange Platform and leveraging the call-centre operations. Other opportunities to leverage SEB's Benefit Exchange within Canada, the USA and globally are aggressively being pursued including multiple white label ventures.

The Technology Division

The TD continues to deliver strong results from the three segments it focuses on: Consulting/Professional Services, Systems Integration Practice and Infrastructure. The division has a solid base of business with over \$400mm of contracted revenue (backlog contracts, option years and evergreen). Contracts range from 2 to 6 years and will contribute to the Company's earnings during 2019. In addition, the division is currently aggressively pursuing multiple long-term contracts through the Canadian government Request for Proposal ("RFP") process.

The Consulting/Professional Services segment (excluding Paradigm) has approximately 515 contract consultants and employees providing technical consulting services across multiple specialty practice areas to a national client base of over 200 active corporate and government clients.

The Systems Integration Practice provides customers with customized solutions for highly specialized environments. It facilitates data flow of multiple technology platforms utilizing proprietary technologies (i.e. BPO, Security, ITIL, PeopleSoft, energy billing solutions, application support, business intelligence, ERP [Oracle, SAP], portal solutions). The practice maintains partnerships with Microsoft, Sequence Kinetics, DiCentral, etc.

The Infrastructure Team operates a self-assessed PCI compliant (Payment Card Industry) data centre and has mitigated risk with a state-of-the-art disaster recovery program. It has 142 offshore multi-certified support staff, a 24/7 Call Centre, and supply-chain portals which connect international suppliers across multi-currency, multi-lingual environments.

Adjusted EBITDA in the TD for Q2/19 was \$837K compared to \$1.6mm in Q2/18 (\$1.6mm YTD Q2/19 vs \$2.4mm YTD Q2/18). Changes continue to be made to each of the entities to streamline operations, reduce costs, and leverage synergies between the companies. An example of such change was the reduction of executives in the Montreal office of Maplesoft to save on infrastructure costs.

An LOI was signed to sell Paradigm. Paradigm was acquired on December 1, 2014 to facilitate the Company's entry into the western Canadian professional services market. During the past four years Paradigm's strong team of professionals significantly contributed to the Company's revenues and earnings. In Q3, 2018 the Company revisited its debt strategy and reviewed its investment holdings. Management decided that a non-controlling interest would be sufficient to meet its current objectives, and that the proceeds from the sale of Paradigm would reduce the debt, thereby improving the Company's balance sheet. The assets and earnings of Paradigm have been recorded separately in the financial statements under discontinued operations. On July 3, 2019, the operating assets of Paradigm were sold to Paradigm LP of which the Company has 25% ownership. The proceeds of sale included \$4.5mm cash, and cancellation of \$3mm Preferred Shares.

The Corporate Office

The Board of Directors is accountable to the shareholders and oversees the performance of Management. Management is responsible for the operational decisions of the organization.

The CO includes Board and Management expenses, expenses pertaining to operating the public entity and costs which benefit the whole organization. The CO includes the following active companies:

- Smart Employee Benefits Inc.
- Smart Employee Solutions Inc.
- SES Benefits Canada Corp.

The CO has been largely funded through new capital issuance, but Management expects to have sufficient operating cash flows to fund these expenses.

Risk and Uncertainties

The Company's growth is subject to several risks including sufficient working capital, customer demand, financing costs, acquisition and integration challenges, technological obsolescence, obtaining/retaining competent staff and legal compliance in an evolving industry.

Liquidity and capital requirements

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 Company has made significant progress in restructuring its debt; however, SEB's accumulated deficit increased to \$56.8mm at May 31, 2019 from \$52.0mm at November 30, 2018.

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 working capital. 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. To enable the Company to capitalize on market opportunities, it continues to work with Scotia Capital, which was engaged in March, 2019, to find a strategic investment partner.

Below is a table outlining the debt repayment commitments as at May 31, 2019:

	Notes Payable	Convertible Debt (face value)	Equipment Leases	Operating Bank Loan	Term Bank Loans	Royalty Advance	Preferred Shares	Total
Fiscal 2019	3,692,829	1,631,687	33,554	9,749,420	7,250,000	1,626,667	350,000	24,334,157
Fiscal 2020	1,270,566	517,000	29,203		-	160,000		1,976,769
Fiscal 2021	-	-	-		-	160,000		160,000
Fiscal 2022	-	-	-		-	133,333		133,333
	\$4,963,395	\$ 2,148,687	\$ 62,757	\$9,749,420	\$7,250,000	\$2,080,000	\$ 350,000	\$26,604,259

The borrowings of the Company under the debt facilities are secured by a general security agreements ("GSA") over substantially all the assets of some of the Company's subsidiaries. Should the Company not meet its financial covenants or obligations under these borrowing agreements, there is the risk that its lenders may realize on their security and liquidate the assets of the Company.

Subsequent to the quarter, on June 1, 2019, Inforica's \$350K of preferred shares were redeemed for \$100K cash payment and \$250K note payable. In addition, on July 3, 2019, the Paradigm transaction closed, and \$4.25mm of the proceeds were applied against the bank debt.

The future capital requirements of the Company will depend on many factors, including the number and size of acquisitions consummated, rate of client base growth, and the costs of expanding into businesses. 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 working capital deficiencies, 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. 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, acquisitions may be restricted.

Credit risk

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. In addition, SEB has secured accounts receivable insurance to minimize the impact of uncollectible accounts. As dictated by IFRS, the Company recorded an Expected Credit Loss (“ECL”) provision. As at May 31, 2019, the ECL was \$1.1mm (November 30, 2018 - \$1.1mm); however, given that only 1.6% of the receivables were greater than 90 days, Management believes that the majority of accounts are fully collectible.

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 \$120K (\$145K at November 30, 2018). Management believes that the Company is not currently exposed to any significant interest rate risk.

Acquisitions and integration risks

The Company has and expects to continue to consider investments of various sizes that fit within SEB's overall strategy. There is no assurance that it will be able to acquire businesses on satisfactory terms or at all. These investments will involve the commitment of capital and other resources and could have a major financial impact on both during and post-acquisition. 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.

Acquisitions can often be a lengthy process. Significant investments of resources are made to analyze and finalize a transaction. The costs associated with these processes could have an adverse impact on the Company's operating results, with no positive offset if the deal is not completed.

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

- (a) Management may not be able to successfully manage 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. To mitigate this risk, the Company performs significant due diligence on acquisition targets, and identifies both risks and opportunities before finalization. Integration plans and targets are detailed and begin immediately upon closure.

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 operation 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 and specifically their claims histories. 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 regulation. It is SEB's intention that all employees are trained on privacy standards and sign written acknowledgement and non-disclosure agreements. 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 qualified professionals. 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 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 errors or all frauds. 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 errors or frauds 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 adjust 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 Company may decline even if the Company's operating results, underlying asset values or prospects have not changed.

These and other related factors, may cause decreases in asset values that are deemed to be other than temporary, resulting in impairment losses. As well, certain institutional investors may rate a company's environmental, governance, and social practices or performance against such institutions' respective investment guidelines and criteria. Failure to meet such criteria may result in limited or no investment.

Future sales of the Company's securities by Directors and Executive Officers

Subject to compliance with applicable securities laws, Directors, 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.

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 prescribed under IFRS, and may not be comparable to similar measures used by other companies, the following definitions and a reconciliation are presented below:

“EBITDA” is defined as earnings from continuing operations before interest and financing fees, income tax expenses, depreciation and amortization.

“Adjusted EBITDA” is EBITDA before one-time or non-cash expenses. It is defined as earnings from continuing operations before AON transition/decommissioning costs, change in fair value of contingent consideration, gain on sale of portion of business, share based compensation, transaction costs, write down of intangibles, interest and financing fees, income taxes, depreciation and amortization. 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.

“Transaction costs” are legal and other professional costs associated with the acquisition/divestiture of a business unit or debt issuance/repayment.

The below table reconciles both EBITDA and Adjusted EBITDA to net loss from continuing operations as presented in the Consolidated Statements of Net Loss and Comprehensive Loss:

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>31-May-19</i>	<i>31-May-18</i>	<i>31-May-19</i>	<i>31-May-18</i>
Net loss from continuing operations	\$ (2,367,426)	\$ (1,979,130)	\$ (4,563,385)	\$ (3,434,711)
Interest and financing costs	608,487	878,706	1,140,015	1,453,945
Income tax expense (recovery)	(556)	22,706	(0)	24,470
Depreciation and amortization	1,120,003	757,185	1,775,234	1,553,431
EBITDA	(639,493)	(320,533)	(1,648,137)	(402,866)
AON transition/decommissioning costs	-	161,750	-	161,750
Share based compensation	63,151	425,270	139,309	524,922
Transaction costs	50,000	-	56,437	-
Adjusted EBITDA	\$ (526,341)	\$ 266,487	\$ (1,452,390)	\$ 283,806

Schedule A – Quarterly Statements of Net Loss and Comprehensive Loss

	Mar 1, 2019 to May 31, 2019	Dec 1, 2018 to Feb 28, 2019	Sep 1, 2018 to Nov 30, 2018	June 1, 2018 to Aug 31, 2018	Mar 1, 2018 to May 31, 2018	Dec 1, 2017 to Feb 28, 2018	Sept 1, 2017 to Nov 30, 2017	June 1, 2017 to Aug 31, 2017
Revenue	\$ 17,675,478	\$ 16,506,330	\$ 18,352,382	\$ 18,033,874	\$ 20,019,485	\$ 20,509,710	\$ 23,968,438	\$ 21,096,800
Cost of revenues	12,224,037	10,989,649	12,804,098	12,273,532	14,061,863	14,537,910	16,841,625	14,848,644
Gross Margin	5,451,441	5,516,681	5,548,284	5,760,342	5,957,622	5,971,800	7,126,813	6,248,156
<i>Gross Margin as a % of Revenue</i>	30.8%	33.4%	30.2%	31.9%	29.8%	29.1%	29.7%	29.6%
Salaries and other compensation costs	4,427,102	4,486,090	4,886,028	4,363,734	3,868,546	4,166,263	4,913,755	4,883,201
Professional fees	315,072	137,112	580,742	60,214	553,123	200,048	(332,059)	506,958
Office and general	1,235,608	1,819,528	1,515,746	1,201,087	1,269,466	1,588,170	1,620,881	1,235,536
Adjusted EBITDA	(526,341)	(926,049)	(1,434,232)	135,308	266,487	17,319	924,236	(377,539)
Write down of assets	-	-	6,671,890	-	-	-	-	-
AON transition costs/decommissioning costs	-	-	(480,374)	-	161,750	-	(724,092)	1,735,564
Change in fair value of contingent liability	-	-	(171,152)	-	-	-	(400,906)	-
Share based compensation	63,151	76,158	(777,338)	216,998	425,270	99,652	119,449	41,422
Transaction costs	50,000	6,437	-	-	-	-	(133,014)	226,564
EBITDA	(639,493)	(1,008,644)	(7,454,597)	(81,690)	(320,533)	(82,333)	2,062,799	(2,381,089)
Interest and financing costs	608,487	531,528	(400,582)	618,939	878,706	575,239	2,722,525	402,395
Income tax	(556)	556	(1,267,024)	(42,983)	22,706	1,764	(571,714)	223,560
Depreciation and amortization	1,120,003	655,231	768,675	777,338	757,185	796,246	955,634	781,327
Net loss from continuing operations	(2,367,426)	(2,195,959)	(6,555,666)	(1,434,984)	(1,979,130)	(1,455,581)	(1,043,646)	(3,788,371)
Income (Loss) from assets held for sale, net of tax	35,890	(312,776)	(1,432,309)	128,204	(312,934)	(94,844)	1,731,700	4,032
Net comprehensive loss	(2,331,536)	(2,508,735)	(7,987,974)	(1,306,780)	(2,292,064)	(1,550,426)	\$ 688,054	\$ (3,784,339)
Attributed to non-controlling interest	(184,095)	155,922	(136,312)	(8,159)	(8,158)	50,546	(8,156)	(8,155)
Attributed to common shareholders	(2,147,501)	(2,664,657)	(7,851,662)	(1,298,621)	(2,283,910)	(1,600,972)	696,210	(3,776,184)
	(2,331,536)	(2,508,735)	(7,987,974)	(1,306,780)	(2,292,068)	(1,550,426)	\$ 688,054	\$ (3,784,339)
Weighted average number of shares - basic	165,605,338	164,934,449	161,017,875	161,058,149	160,996,519	160,953,149	146,428,250	136,725,150
Loss per common share - basic and diluted	\$(0.01)	\$(0.02)	\$(0.02)	\$(0.01)	\$(0.01)	\$(0.02)	\$(0.01)	\$(0.03)

Note 1 - Historic quarters have been restated to reflect the operations of Paradigm Consulting Group as income from discontinued operations

Schedule B – Quarterly Statements of Financial Position

	May 31, 2019 (Note 1)	Feb 28, 2019 (Note 1)	Nov 30, 2018 (Note 1)	Aug 31, 2018	May 31, 2018	Feb 28, 2018	Nov 30, 2017	Aug 31, 2017
Cash	\$ 1,002,230	\$ 440,845	\$ 750,191	\$ 1,399,402	\$ 955,916	\$ 3,168,164	\$ 2,735,391	\$ 2,115,753
Accounts receivable	16,252,930	15,304,162	16,086,172	20,593,680	20,780,464	22,807,637	22,953,230	21,291,221
Inventory	197,928	196,377	199,174	213,804	216,843	209,764	235,834	298,729
Contract assets	-	-	-	91,722	-	-	-	-
Prepays and deposits	743,257	1,113,678	1,284,737	1,650,913	1,172,583	1,468,591	1,424,135	1,176,880
Assets held for sale	11,297,938	10,557,280	10,622,667	-	-	-	-	-
Total Current Assets	29,494,282	27,612,342	28,942,941	23,949,521	23,125,807	27,654,157	27,348,590	24,882,583
Long-term prepaids and deposits	462,556	573,748	573,748	243,151	271,900	184,196	184,196	184,196
Notes receivable	2,470,651	2,459,401	2,291,271	4,323,052	4,165,008	3,891,192	3,786,762	3,507,086
Contract assets	-	-	-	1,001,479	739,497	-	-	-
Equipment and software	1,816,024	2,429,167	2,473,316	3,002,727	3,218,675	3,008,857	3,211,193	3,220,267
Intangible assets	10,830,400	11,328,926	11,830,082	21,813,384	22,725,382	23,640,536	24,595,727	25,705,518
Total Assets	\$ 45,073,913	\$ 44,403,584	\$ 46,111,358	\$ 54,333,313	\$ 54,246,270	\$ 58,378,938	\$ 59,126,468	\$ 57,499,650
Current portion of bank debt	\$ 16,999,420	\$ 14,178,160	\$ 19,505,075	\$ 12,812,147	\$ 13,663,816	\$ 13,664,064	\$ 13,675,559	\$ 12,917,505
Accounts payable and accrued liabilities	23,984,692	24,031,318	19,364,989	19,330,271	19,376,997	19,918,030	21,619,993	21,878,212
Contract liabilities	651,600	761,482	649,088	743,624	478,724	691,370	754,310	404,654
Equipment leases	62,757	67,108	67,108	67,108	67,108	67,108	67,107	67,107
Current portion of convertible debt	1,639,894	1,594,535	1,561,971	1,238,426	1,243,130	2,713,885	2,673,023	2,605,637
Short-term notes payable	4,963,395	4,951,191	3,504,760	3,962,262	1,846,276	2,025,432	2,076,517	1,997,583
Royalty advance	2,080,000	2,080,000	2,080,000	1,600,000	1,600,000	1,600,000	1,600,000	-
Preferred shares	350,000	350,000	350,000	350,000	350,000	-	-	-
Liabilities directly associated with assets held for sale	6,256,232	6,077,158	5,921,434	-	-	-	-	-
Total Current Liabilities	56,987,990	54,090,952	53,004,425	40,103,837	38,626,051	40,679,889	42,466,509	39,870,698
Term bank loans	-	-	-	6,906,250	7,000,000	7,593,750	7,937,500	8,781,250
Equipment leases	-	12,427	29,204	45,981	62,758	79,534	89,439	113,090
Contingent consideration payable	791,292	798,438	804,219	1,334,707	1,447,355	1,447,352	1,317,207	3,559,257
Convertible debt	475,000	496,000	517,000	538,000	559,000	-	16,959	34,466
Royalty advance	-	-	-	-	-	-	-	1,600,000
Notes payable	-	-	1,296,104	1,257,332	1,320,346	1,331,987	1,371,510	1,421,486
Deferred income taxes	121,760	121,760	16,245	2,088,884	2,088,884	2,088,884	2,088,884	2,698,219
Preferred shares	-	-	-	2,881,713	2,875,487	2,799,161	350,000	350,000
Total Long Term Liabilities	1,388,052	1,428,625	2,662,772	15,052,867	15,353,830	15,340,668	13,171,499	18,557,768
Share capital, warrants, options, associated costs and contributed surplus	43,751,375	43,605,975	42,657,393	42,800,544	42,583,546	42,383,469	41,963,122	38,233,900
Deficit	(56,773,004)	(54,625,503)	(51,960,846)	(44,098,802)	(42,624,274)	(39,984,032)	(38,383,061)	(39,058,249)
Total Shareholders' Equity	(13,021,629)	(11,019,528)	(9,303,453)	(1,298,258)	(40,728)	2,399,436	3,580,061	(824,349)
Non-controlling interests	(280,500)	(96,465)	(252,387)	474,866	307,117	(41,056)	(91,601)	(104,467)
Total Liabilities and Shareholders' Equity	\$ 45,073,913	\$ 44,403,584	\$ 46,111,358	\$ 54,333,313	\$ 54,246,270	\$ 58,378,938	\$ 59,126,468	\$ 57,499,650

Note 1 - The assets and liabilities associated with Paradigm Consulting Group Inc. have been separately reported beginning the Q4, 2018

Schedule C – Quarterly Statements of Cash Flows

(Note: Cash Flows are shown at the level of total company, not segregated into continuing and discontinued operations)

	Quarters (Total Company—not segregated into continuing and discontinued operations)							
	Mar 1, 2019 to May 31, 2019	Dec 1, 2018 to Feb 28, 2019	Sep 1, 2018 to Nov 30, 2018	June 1, 2018 to Aug 31, 2018	Mar 1, 2018 to May 31, 2018	Dec 1, 2017 to Feb 28, 2018	Sep 1, 2017 to Nov 30, 2017	June 1, 2017 to Aug 31, 2017
Net income (loss)	\$ (2,331,536)	\$ (2,508,735)	\$ (7,987,975)	\$ (1,306,780)	\$ (2,292,066)	\$ (1,550,426)	\$ 688,057	\$ (3,784,343)
Add items not involving cash:								
Income tax recovery	-	-	(2,072,639)	-	-	-	(235,365)	-
Amortization and depreciation	1,120,003	655,231	776,240	1,130,925	1,110,134	1,149,196	1,237,587	1,136,765
Interest accretion	9,363	9,159	12,538	12,640	10,114	40,978	66,859	53,566
Change in contingent liability	-	-	(350,226)	(140,808)	-	-	(2,102,505)	-
Write-down of intangibles	-	-	6,671,890	-	-	-	-	-
Royalty advance bonus	-	-	480,000	-	-	-	-	-
Share-based compensation	63,150	76,158	(171,152)	216,998	425,270	99,652	119,449	41,422
Cash flow from (used in) operating activities before the following:								
Change in non-cash working capital	(1,139,020)	(1,768,187)	(2,641,324)	(87,025)	(746,548)	(260,600)	(225,917)	(2,552,590)
Cash flows from (used in) operating activities	(1,371,374)	4,324,344	181,186	(286,093)	305,902	(1,965,567)	(991,395)	(1,146,078)
Cash flows from investing activities								
Advances of notes receivable	(19,131)	(208,545)	(164,854)	(158,044)	(190,797)	(96,363)	(183,583)	(150,000)
Proceeds from sale of business	-	-	-	-	-	-	150,000	-
Purchase of software and equipment	(9,542)	(119,788)	(22,312)	(951)	(408,328)	(32,464)	(751,466)	(279,929)
Cash flows from (used in) investing activities	(28,673)	(328,333)	(187,166)	(158,995)	(599,125)	(128,827)	(785,049)	(429,929)
Cash flows from financing activities								
Convertible debt issued (repaid)	(21,000)	(32,805)	158,378	(38,344)	(847,367)	(17,075)	(300,290)	(16,834)
Net proceeds from preferred share financing	-	-	-	-	-	3,000,000	-	-
Net proceeds from equity financings/conversions	82,250	872,424	28,000	-	21,000	-	4,117,759	1,159,300
Proceeds (Repayment) of bank debt	2,821,261	(5,326,915)	(213,322)	(945,419)	(593,998)	(355,245)	(752,654)	(529,819)
Proceeds (Repayment) of equipment leases	(16,777)	(16,777)	(16,777)	(16,777)	(16,777)	(9,903)	(26,667)	(15,983)
Proceeds (Repayment) of term notes	(44,901)	(44,892)	36,221	1,889,108	(481,883)	(90,609)	(642,064)	597,831
Proceeds from royalty advance	-	-	-	-	-	-	-	1,600,000
Cash flows from (used in) financing activities	2,820,833	(4,548,965)	(7,500)	888,568	(1,919,025)	2,527,168	2,396,084	2,794,495
Net change in cash for the period	1,420,787	(552,954)	(13,478)	443,480	(2,212,248)	432,773	619,642	1,218,488
Cash, beginning of period	832,963	1,385,917	1,399,396	955,916	3,168,164	2,735,391	2,115,750	897,261
Cash, end of period	\$ 2,253,751	\$ 832,963	\$ 1,385,917	\$ 1,399,396	\$ 955,916	\$ 3,168,164	\$ 2,735,391	\$ 2,115,750

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