MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE QUARTERS ENDED FEBRUARY 29, 2020 AND FEBRUARY 28, 2019

Table of Contents

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 quarter ended February 29, 2020 up to the date of this report June 15, 2020. This MD&A should be read in conjunction with SEB's First Quarter 2020 Unaudited Consolidated Financial Statements ("FS") and Fiscal 2019 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 debt service, 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.

<u>Company Overview</u>

SEB is a technology company which designs, builds, customizes, implements, integrates and manages mission critical fully integrated and automated end-to-end technology and people solutions with a growth focus on insurance, government and healthcare using SEB's proprietary technologies and partner technologies. Over 80% of revenues derive from government, insurance and healthcare. The Company's leading and proven technology-based solutions and services are offered across multiple industry sectors, both government and corporate, through two highly complementary divisions. The Company's global infrastructure is comprised of the Corporate Office ("CO") and two operating divisions, Technology and Benefits, with over 650 multi-certified technical professionals, both employees and contractors in 7 offices across Canada and globally.

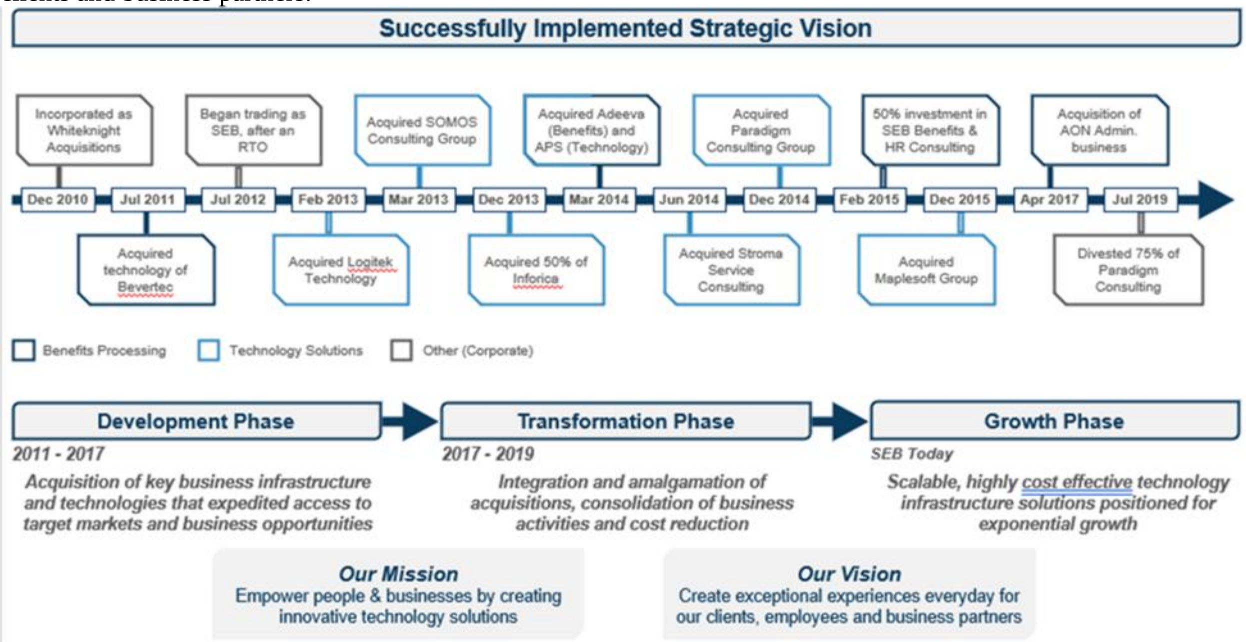
The Technology Division ("TD") is a standalone unit which provides software, solutions and services across multiple lines of business including: Infrastructure As A Service ("IAAS"), Platform As A Service ("PAAS"), Security As A Service("SECaaS"), Security Certification Services, Systems Integration Services, Professional Resource on Demand Services, Hosting Services, Software as a Service ("SaaS"), Cloud, Custom Application Development & Support, 24/7 Help Desk/Service Desk Multilingual Services, Smart Sourcing (onshore/offshore), Specialty Practices: CRM, BI, Cyber Security, Project Management, Database, Portal, EDI, Apps to corporate and government clients across Canada and internationally. Initially grown via a strategic acquisition strategy, the Company 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 contracts (back-log, option years, evergreen) in excess of $300M and consistently delivers positive Adjusted EBITDA performance.

The Benefits Division ("BD") delivers software, solutions and services utilizing both a SaaS and Business Process Outsourcing ("BPO") delivery model (full outsource or co-source) to both corporate and government-funded health benefit environments. The BD has integrated the services and solutions of multiple standalone insurance and health benefit providers to develop SEB's FlexPlus Benefits Processing Platform. FlexPlus provides clients with Single-Sign-On connectivity from a proprietary common administration platform for all group benefit stakeholders. The FlexPlus platform has more than 15 modules integrating over 90% of all benefit processing spend and supporting more than 20 distinct revenue models. This "one processing environment" infrastructure supports traditional, flex, multi-employer, hour bank/dollar bank benefit plan designs with both an "enterprise" solution for large clients and a "marketplace" cafeteria solution for emerging clients, allowing emerging clients highly cost-effective flex plan designs comparable to large clients. All solutions are applicable for government and corporate clients including large and small market. The FlexPlus modular solutions can operate as an integrated environment or on a standalone basis. The BD leverages the references, vendor arrangements, infrastructure and resources of the TD to support the provision of FlexPlus solutions and services. The TD allows the BD access to a highly cost effective, on demand infrastructure to address client requirements on a just-in-time basis.

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 combined with onshore/offshore resources have proven to be a significant competitive advantage in the marketplace providing advanced analytics and fraud identification, real time reporting and cost effective highly efficient responses to client requirements.

Evolution of SEB

SEB's objective, through acquisition, internal software development and technology partnerships focused on creating a synergistic, highly responsive technology infrastructure that provides cost effective, efficient and user friendly software solutions and services to manage mission critical business processes for both government and private sector clients and business partners.



Strategic Vision for the Benefits Division

SEB's strategic vision is to become a leading provider of benefit processing and administration solutions for health care benefits for privately and publicly funded plans. Management estimates that over $80.0 billion is spent annually in its Canadian target market of which over $6.0 billion is spent on processing and commissions including administration, adjudication (PBM, dental, other) claims payment, billing, reporting, disability, absence management, etc. The annual spending in the USA is greater than $1.0 trillion, and the global market is even larger. SEB solutions have a global application.

Prior to Fiscal 2017, SEB acquired the technological infrastructure and professional services to support this vision. In the second quarter of Fiscal 2017, the Company 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 had 48 globally recognized clients representing over 265,000 plan members when first acquired. Since acquired, 35 of the 48 client contracts have been renewed representing over 180,000 plan members and ten new clients representing over 90,000 plan members have been added. The majority of contracts are multi-year. Management expects the high renewal rate will continue as additional client contracts mature.

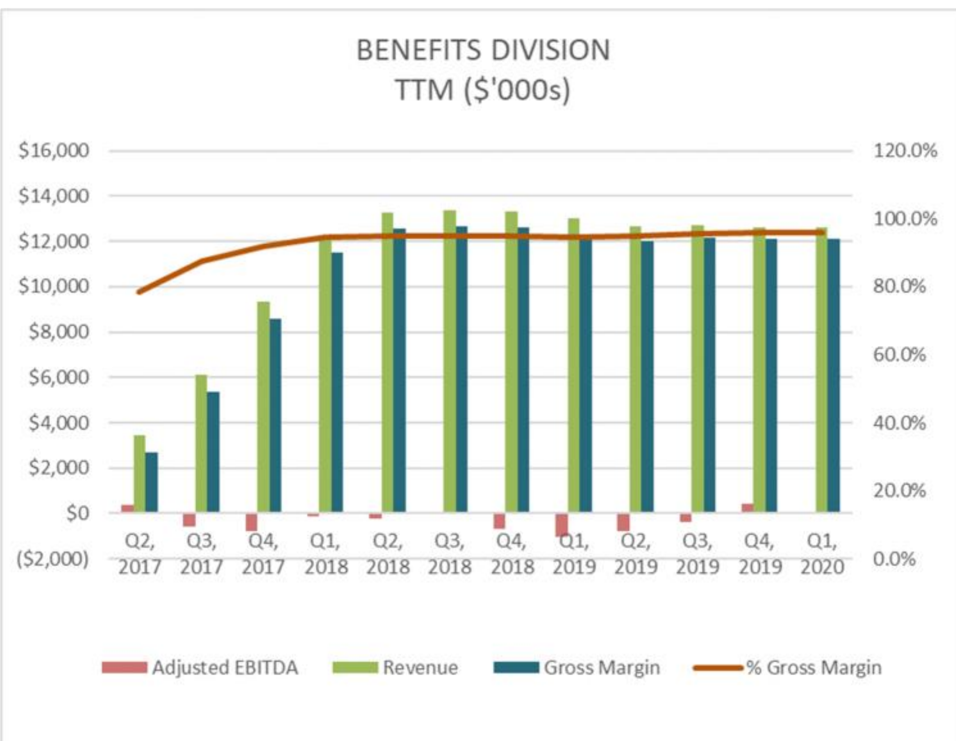
In addition to the book of business, the Company also acquired AON's benefit administration software which has been integrated with SEB's existing administration software and adjudication environment. This enhanced integrated modular solution (which is both web and cloud-enabled) gives SEB one of the most advanced, if not the most advanced, benefits processing environments in the Canadian marketplace. A significant competitive advantage of SEB's FlexPlus Platform is the multi-lingual single-sign-on connectivity to one processing environment providing real time reporting and analytics. Additionally, the FlexPlus platform has over 15 modules supporting more than 20 revenue models, many of which can operate individually or as an integrated environment. Management estimates that revenue per participant per month ("RPPPM"), which ranges currently between $3 to $9, could grow to between $20 to $42 RPPPM as additional modules are leveraged. Given the highly scalable nature of SEB's FlexPlus platform, once the fixed charges of operating the platform are covered, a significant portion of the incremental increases in revenue will flow directly to EBITDA.

Since the Company acquired the Canadian health benefits administration business from AON in 2017, it has focused its resources to emphasize on developing the higher margin Benefits Division. The BD has shown significant growth from Fiscal 2016 when revenue was $1.5M and gross margin was 50.6%. In Fiscal 2017, the BD's revenue was $9.3M and gross margin was 91.9%. In Fiscal 2018, the BD's revenue was $13.3M and gross margin was 94.8%. In Fiscal 2019, the BD's revenue was $12.6M and gross margin was 95.9%. In first quarter of 2020, the BD's revenue was $3.3M and gross margin was 96.3% vs $3.0M and 94.9% in Q1 2019. Significant growth is forecast for the rest of 2020.

The BD go-to-market strategy has three legs:

- **Channel Partners ("CP")**
  CP provides a direct conduit between SEB and the key decision markets with client opportunities. Channel Partners include Consultants/Brokers, Insurers and Technology Partners. The FlexPlus platform can be licensed, customized and integrated into environments as a "white-label TPA" infrastructure for its partners structuring unique revenue / profit sharing alliances and joint ventures. This structure supports multiple revenue models not previously available to CP, allowing a CP to focus on core competencies such as consulting and sales and less on processing and technology. It also allows an enhanced value proposition for CP clients.
- **Request for Proposal Responses ("RFPs")**
  The large market and government are largely an RFP marketplace. The Company responds to RFPs on both a standalone basis and with CPs. The FlexPlus platform is equally applicable to both marketplaces. SEB may also co-bid RFPs with one or more CP.
- **Existing Clients**
  The FlexPlus platform drives more than 20 revenue models from 15 modules, which modules can operate as standalone or integrated environments. Many of these modules are unique and automate manual business processes to create cost efficiencies. The "single sign-on" connectivity allows clients and plan members a highly efficient and user-friendly experience in managing all aspects of their plan members benefit plan. The FlexPlus platform is suitable for clients of all kinds, emerging, large market and government.

SEB's Benefit Division Revenue Growth Chart



Milestones Achieved in Fiscal 2019 and the First quarter of 2020

From its 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 Company is well positioned with client references, expertise and a global cost-effective delivery infrastructure to be a leader in the benefits processing industry.

Key milestones in Fiscal 2019 and the First quarter of 2020 include:

1) **Strategic Transaction Update**
The Company engaged Scotiabank in the second quarter, 2019 to assist in identifying strategic investment transactions that will surface value for shareholders and provide optimal investment capital to expedite the Company's strategic business and technology roadmap. The Company is in final stages of closing $20.0M of five-year convertible notes from a strategic investor and approximately $10M of new operating Credit Facilities.
2) **Chief Financial Officer Change**
Robert Prentice, a founder of SEB and the Chief Financial Offer/Corporate Secretary retired in the third quarter, 2019. Mr. Prentice was replaced by Tim Beaulieu, CPA, CA. Mr. Beaulieu has a long history with the company as the operating CFO of both TD entities and BD entities representing over 80% of the consolidated revenues. Mr. Beaulieu is bilingual and has extensive experience across multiple areas including M&A, business valuation, audit, litigation support, tax planning, corporate finance, financings, etc.
3) **Cost Reduction and Integration**
In Fiscal 2019, the Company reduced its cost structure by over $1.3M per annum of which an estimated $318K is reflected in Fiscal 2019 with the full amount in 2020 and beyond. Technology infrastructure represents more than half of the savings. This amount brings total cost reductions to in excess of $4.0M per annum since Fiscal 2017, over 60% attributed to technology infrastructure. The Company is targeting additional cost realignment and reduction in Fiscal 2020 as new technology systems improve efficiencies and business processes.
4) **Business Development in Fiscal 2019 and 2020**
During Fiscal 2019, the Company has made substantial progress on new business development. In the Benefits Division ("BD"), the Company has added more than 17,000 new plan members in Fiscal 2019 from new and existing clients, representing annual revenue in excess of $1.0M, with multi-year contracts. In addition, the Company has renewed 10 existing clients representing over 38,000 plan members. This brings the Company's total renewals since acquiring the Aon book of business to 35 of 48 clients representing over 180,000 plan members of the original 265,000 acquired. The company expects to renew the remaining contracts as they mature. The company currently maintains over 330,000 plan members.

   From January 2020 to April 2020, the company has won over $20.0M of net new contracts. This represents a win rate of approximately 50% of opportunities bid, well above industry averages and the company's previous track record. Submitted proposals and bids outstanding for net new business total approximately $74.0M with decisions pending in the near future. Additionally, the Company has signed agreements per its "Channel Partner White Label TPA" initiatives, to add approximately 150,000 new plan members to its benefits processing business. The Benefits Division has under contract over 96% of its 2020 budget and is expected to be cash flow positive in 2020. The signed new business to date, in 2020, is materially ahead of our business development budget. The Technology Division has historically been cash flow positive and net new business wins remain strong. Signed contracts (backlog, evergreen, option years), based on a 5-year time frame are valued at over $400M.
5) **Sale of Paradigm Consulting Group Inc.**
On July 3, 2019, the Company divested the operating assets of Paradigm to a Limited Partnership of which the combination of Golden Opportunities Fund Inc. ("Golden") and Paradigm's senior management own 75% and the Company retained 25%. The purchase price included a cash amount of $4.5M, cancellation of $3.0M of Paradigm preferred shares owned by Golden, which were convertible into SEB common shares, and a working capital and pre-closing earnings adjustment. In exchange for Golden relinquishing the convertibility and earnings bonus features of the preferred shares, the Company issued to Golden 1,000,000 warrants to acquire SEB shares at an exercise price of $0.30 per share for a period of four years following close of the transaction.

Paradigm was originally acquired in 2015 to facilitate a local footprint in Saskatchewan and Manitoba for multiple RFP bids in the healthcare space, which Management believes can be achieved with the remaining 25% equity interest. The proceeds from the sale have been used to reduce SEB's debt and contribute to working capital. This continued strategic ownership facilitates opportunities for deployment of benefits administration and processing solutions in the Saskatchewan and Manitoba marketplaces.

Financial Discussion

Selected financial information pertaining to continuing operations from the Consolidated Statements of Net Loss and Comprehensive Loss for the quarters ended February 29, 2020 and February 28, 2019 is presented below:

	For the quarter ended	
	Feb 29, 2020	***Feb 28, 2019***
Revenue	**$ 16,520,977**	**$ 16,506,330**
Cost of revenues	11,198,629	10,989,649
Gross Margin	**5,322,348**	**5,516,681**
Gross Margin as a % of Revenue	*32.2%*	*33.4%*
Operating costs	5,209,229	6,305,618
Professional fees	169,443	137,112
Adjusted EBITDA	**(56,324)**	**(926,049)**
Share based compensation	15,576	76,158
Transaction costs	-	6,437
EBITDA	**$ (71,900)**	**$ (1,008,644)**
Net loss from continuing operations *(Note 1)*	**$ (1,587,800)**	**$ (2,195,959)**

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. During Fiscal 2019, the transaction was completed.*

Revenue

During the first quarter, consolidated revenues from continuing operations increased compared to first quarter prior year by $15K. In the TD, revenues decreased by $464K, while the BD's revenues increased by $333K. The differential is intercompany revenue which is eliminated on consolidation. In the TD, the revenue decrease is partially a result of technical resources being used internally to build-out and integrate systems to support the BD for future revenue growth projects. Additionally, most of the revenue reduction in the TD is due to non-recurring project revenue with one client. This project revenue has transitioned to managed services revenue, smaller in amounts, but higher in profit margin. The Company is focused on the higher margin business within the Benefits Division and considers the decrease in TD's revenues as an investment in the future.

Paradigm was sold in the third quarter of Fiscal 2019 and classified as discontinued operations in Q4, 2018, and its operating results are disclosed separately.

Since its inception in 2011 to 2017, the Company has pursued an acquisition-based strategy which has led to dynamic growth in 2015 to 2017. Post 2018, the Company focused on cost reduction initiatives across all divisions and organic growth strategies, in particular the Channel Partner strategy with the BD. Unprofitable client relationships were discontinued, all technologies were moved to the cloud, business processes were streamlined resulting in cost savings from both infrastructure and personnel.

Cost of revenues (“COR”)

Consolidated COR from continuing operations for the first quarter increased by $209K over the comparable quarter in prior year. Over 95% of COR is comprised of employee/contractor costs in the TD. The increase is mainly due to higher contractor cost in Q1 of 2020 as well as increased marketing activities.

Gross margin (“GM”)

Gross Margin % (“GM %”) for continuing operations of the consolidated group of companies was 32.2% in Q1 2020 compared to 33.4% in Q1 2019 (29.1% in Q1 2018). The TD’s GM% decreased in Q1 2020 to 15.5% compared to 19.6% in Q1 2019 and 16.1% in Q1 2018. The decrease in TD is due to loss of one-time project which ended in Q3 2019. The BD’s GM% improved to 96.3% in Q1 2020 compared to 94.9% in Q1 2019 and 95.6% in Q1 2018.

Operating costs

Operating costs are comprised of salaries and compensation costs plus office and general expenses. The costs have a decrease of $1.1M over the comparable quarter prior year. There are decreases in BD and TD due to organizational structure changes and reductions in compensation costs. This decrease was partially offset by an increase in rent expense related to the new lease agreement for the Company’s Mississauga location. The BD, the TD and the CO have implemented several costs cutting initiatives in Fiscal 2019 which are now being fully materialized in Fiscal 2020.

Professional fees

Professional fees include legal and audit. The costs remain consistent over the comparable quarter prior year.

Investment income and loss

In the first quarter of 2020, Paradigm LP has $190K income before intangible asset amortization. Due to different fiscal periods and amortization periods, SEB Inc will recognize income/loss in Q2 2020 on a semi-annual basis.

Share based compensation

Share based compensation is the non-cash value of stock options issued to Directors, Officers, employees and consultants. This expense is amortized over the vesting periods of the stock options and does not directly correlate to when the options were issued. The share-based compensation decreased by $60.6K compared to the quarter in prior year. There are two factors: a) the outstanding options decreased from 12,913,700 as of Q1, 2019 to 11,443,700 as of Q1 2020. The number of vested share during the year decreased accordingly. Thus, dollar value of share based compensation decreased accordingly. b) The valuation method historically used Black Scholes with volatility calculated on daily rate. The volatility rate is calculated on monthly rate in Fiscal 2019 and going forward, which results in a lower value of stock options newly issued in Fiscal 2019 and vested subsequently.

Transaction costs

Transaction costs are one-time expenses associated with acquisition and financing activities. The expense incurred in Fiscal 2019 is related to the Paradigm sale. All the other transaction costs related to the sales are included in the cost base of asset sales. There is no expense related to financing activities in Fiscal 2019.

Net loss from continuing operations before internal management fee allocation and intercompany sales

Loss from continuing operations for Q1 2020 was $1.6M compared to $2.2M in Q1 2019. The TD generated profits of $163k in Q1 2020 compared to $80K in Q1 2019. The BD results were significantly improved to a loss of $145K for Q1 2020 compared to a loss of $1.1M in Q1 2019. The CO loss increased by $464K in Q1 2020 vs Q1 2019 (including $363K management fee recovery from Paradigm in Q1 2019). CO expense savings quarter over quarter were offset by rent expense of $472K related to the new lease agreement. A significant portion of the losses, $580K in Q1 2020 and $598K in Q1 2019, is due to non-cash expense; the amortization of intangible assets, which is expected to be fully amortized by 2021.

Liquidity and Capital Resources

Key element 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 believes are value purchase prices. These acquisitions and their associated debt have stressed the balance sheet but have given the Company a unique blend of technology skill sets and solutions, a national high profile client base and a highly skilled, experienced management and employee infrastructure. Debt restructuring has been and continues to a top priority of management. During the second quarter 2019 SEB engaged Scotia Capital to evaluate and negotiate investment alternatives to strengthen the Company's balance sheet. As of the date of this MD&A, the Company is in the final closing stages of this process.

As shown by the table below, In Q1 2020, the total debt was reduced by $761K (details of these movements are described under Select Balance Sheet Information below). As a result of the Paradigm divestiture, bank debt was reduced by $7.5M in Fiscal 2019

Selected Balance Sheet Information

Major Debt Schedule:

	Term notes	Convertible debt	Royalty advance	Equipment leases	Total	Bank debt	Total
November 30, 2019							
Current debt	$ 5,043,068	$ 2,151,744	$ 2,080,000	$ 46,438	$ 9,321,250	$ 11,955,266	$ 21,276,516
Long-term debt	-	-	-	48,833	48,833	-	$ 48,833
	$ 5,043,068	$ 2,151,744	$ 2,080,000	$ 95,271	$ 9,370,083	$ 11,955,266	$ 21,325,349
February 29, 2020							
Current debt	$ 5,016,340	$ 2,175,606	$ 2,080,000	$ 29,661	$ 9,301,607	$ 11,218,449	$ 20,520,056
Long-term debt	-	-	-	44,525	44,525	-	$ 44,525
	$ 5,016,340	$ 2,175,606	$ 2,080,000	$ 74,186	$ 9,346,132	$ 11,218,449	$ 20,564,581
Change	**$ (26,728)**	**$ 23,862**	**$ 0**	**$ (21,085)**	**$ (23,951)**	**$ (736,817)**	**$ (760,768)**

Selected financial information from the Consolidated Statement of Financial Position as at February 29, 2020 and November 30, 2019:

	Note	*Feb 29, 2020*	*Nov 30, 2019*	*From Year end Change*
Cash	1	$ 373,502	$ 521,067	$ (147,565)
Trade receivables	2	15,747,456	15,833,510	(86,054)
Investment in Paradigm LP	3	304,000	304,000	-
Other current assets	4	1,416,199	1,455,939	(39,740)
		17,841,157	18,114,516	(273,359)
Non-current assets	5	23,911,710	17,216,535	6,695,175
		$ 41,752,867	$ 35,331,051	$ 6,421,816
Bank debt	6	$ 11,218,449	$ 11,955,266	$ (736,817)
Trade payables and other obligations	7	26,733,115	25,778,852	954,263
Other current liabilities	8	10,746,787	10,142,485	604,302
		48,698,351	47,876,603	821,748
Non-current liabilities	9	7,667,093	1,021,223	6,645,870
		$ 56,365,444	$ 48,897,826	$ 7,467,618
Working Capital		$ (30,857,194)	$ (29,762,087)	$ (1,095,107)

***Schedule B** at the end of this report provides detailed quarterly statements of financial position for the eight quarters ended February 29, 2020.*

1. Cash and cash equivalents

Cash balances were included in both continuing operations ("Cash") and discontinued operations ("Assets held for sale"). The cash and cash equivalent balance of continued operation decreased from November 30, 2019 by $148K due to:

Cash flows from operating activities

Cash inflows from operating activities for the first quarter of 2020 was $1.0M, compared to an inflow of $4.3M in the previous year. The largest change in non-cash working items was an increase in trade payable and accrued liabilities and net clients liabilities to be settled.

Cash flows from investing activities

Net cash outflows from investing activities during the quarter is $79k compared to $328K in the quarter in prior year. The decrease is primarily due to a decrease in the amount advanced to notes receivable which was $208K in Q1 2019 vs $10K in Q1 2020. There was also a reduced amount invested in equipment and software for an amount of $69K in Q1 2020 compared to $120K in Q1 2019.

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 payment of lease liabilities. Net cash used in financing activities for Q1 2020 was $1.1M vs $4.5M in Q1 2019. The Company leveraged its cash inflows from operations, investing and financing activities to reduce its bank debt by $737K and $5.3M in Q1 2020 and Q1 2019 respectively. The Company also repaid $344K in other debt obligations (equipment leases $67K, rent leases $215K, notes payable $41K, convertible debt $21K) in Q1 2020 vs $94K in Q1 2019. There is no new financing in Q1 2020 and $872K from equity raised in Q1 2019.

***Schedule C** at the end of this report provides detailed quarterly statements of cash flows for the eight quarters ended February 29, 2020.*

2. Trade receivables

The trade receivables balance at February 29, 2020 decreased from $15.8M in Q1 2019 to $15.7M in Q1 2020.

A provision for uncollectible accounts has been put in place for any amounts in dispute or where collectability is questionable. Due to the nature of SEB's typical clients (i.e. government and large blue-chip corporations), there has been a history of only minor uncollectible accounts.

3. Investment in Paradigm LP

As part of the sale of Paradigm on July 3, 2019, SEB held 2,500,000 Class "A" voting, participating units in Paradigm LP (the "Units"). Per the terms of the Paradigm Asset Sale Agreement, Paradigm LP employees can acquire up to 500,000 Class A partnership share units at $1 per share up to 12 months following the transaction, ending on July 2, 2020. This amount is classified as current portion of Investment in Paradigm LP on the Statement of Financial Position as at the end of first quarter of 2020. On November 4, 2019, the former employees of Paradigm exercised the options for 196,000 units, reducing SEB's investment in Paradigm LP from 25.00% to 23.04%. As of February 29, 2020, the current portion of Investment in Paradigm LP is $304K and long-term portion is $2.2M.

4. Other current assets

Other current assets include prepaids and deposits, inventory, short-term notes receivable, government remittances and current taxes receivables, contract assets and short-term right of use asset. These assets were utilized in the normal course of business. Government remittances and current taxes receivables is related to ITC refund.

5. Non-current assets

Non-current assets include premise deposits, notes receivable, contract assets, equipment and software, intangible assets, right of use asset and Investment in Paradigm LP. Non-current assets increased by $6.7M. IFRS 16 leases adoption resulted in the increase in the right of use asset of $7.3M, which was offset by decreases of $452K in intangible assets, $63K in equipment due to amortization and depreciation and $157K in prepaids.

6. Bank debt

Bank debt was classified as part of continuing operations even though the original primary borrower on the bank agreements was Paradigm, because 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.

On February 29, 2020, the total bank debt was $11.2M compared to $12.0M at November 30, 2019. Bank debt of $737K was repaid during Q1 2020 and $7.5M during Fiscal 2019.

7. Trade payables and other obligations
Trades payables and other obligations pertain to accounts payables, accruals and net client liabilities to be settled. The balance at February 29, 2020 increased from November 30, 2019 by $954K It is partially due to the increase of net client liabilities to be settled of $10.8M as of November 30, 2019 vs $11.7M as of Q1 2020.

8. Other current liabilities
Other current liabilities are comprised of the current portion of contingent payables, government remittances, the current portion of convertible debt, short-term notes payable, contract liabilities, short-term lease liability, the royalty advance and Preferred shares. Other current liabilities increased by $604K from November 30, 2019, $620k out of which is due to current portion of lease payable related to IFRS 16 adoption.

9. Non-current liabilities
Non-current liabilities include lease liability, long term portion of contingent consideration payable, convertible debt, notes payables, deferred income taxes and preferred shares. The $6.6M increase from November 2019 is primarily a result of IFRS 16 adoption resulted in an increase of lease liability for $6.7M.

Equity Financing and Other Transactions

On January 9, 2019, the Company closed an equity unit financing at $0.215 per unit, of 4,150,000 units for gross proceeds of $892K. The equity units were made up of 4,150,000 shares and 4,150,000 share purchase warrants, exercisable at $0.30 per share for 24 months from date of issue. The warrants were valued at $161,850 using the residual pricing model. On April 3, 2019, 411,250 warrants were exercised, which generated $82K.

In the first quarter of 2020, there is no equity financing and other transactions.

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.

The following tables shows gross segmented results by division. Intercompany sales and costs of sales are eliminated via the “Eliminations” column, as are transactions between continuing and discontinued operations. 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 fiscal years ended February 29, 2020 and 2019

Smart Employee Benefits Inc. Segmented Income Statement Detail for the quarter ended February 29, 2020 (in C$)	**Technology**	**Benefits**	**Corporate**	**Intercompany Sales/COS**	**Total Continuing Operations**	**Discontinued operations**	**Total Company**
Revenue	**$13,603,083**	**$3,338,835**	**$ -**	**$ (420,942)**	**$ 16,520,977**	**$ -**	**$16,520,977**
Cost of revenues							
Cost of revenues	11,495,798	123,773	-	(420,942)	11,198,629	-	11,198,629
Gross margin	**2,107,285**	**3,215,063**	**-**	**-**	**5,322,348**	**-**	**5,322,348**
Expenses							
Salaries and other compensation costs	1,138,985	2,410,565	256,248	-	3,805,798	-	3,805,798
Office and general	433,310	769,448	200,674	-	1,403,431	-	1,403,431
Professional fees	10,719	5,031	153,692	-	169,443	-	169,443
	1,583,014	3,185,044	610,614	-	5,378,672		5,378,672
Adjusted EBITDA	**524,271**	**30,019**	**(610,614)**	**-**	**(56,324)**	**-**	**(56,324)**
Share-based compensation	-	-	15,576	-	15,576	-	15,576
EBITDA	**524,271**	**30,019**	**(626,190)**	**-**	**(71,900)**	**-**	**(71,900)**
Amortization of intangible assets	3,035	76,520	500,564	-	580,119	-	580,119
Depreciation	27,546	24,679	827	-	53,052	-	53,052
Depreciation of right-of-use assets	58,512	-	102,565	-	161,077		161,077
Interest and financing costs	263,397	73,340	388,842	-	725,580	-	725,580
Income tax expense	8,512	-	(12,440)	-	(3,928)	-	(3,928)
Net income (loss)	**$ 163,268**	**$ (144,520)**	**$(1,606,548)**	**$ -**	**$ (1,587,800)**	**$ -**	**$ (1,587,800)**

Smart Employee Benefits Inc. Segmented Income Statement Detail for the quarter ended February 28, 2019 (in C$)	**Technology**	**Benefits**	**Corporate**	**Intercompany Sales/COS**	**Total Continuing Operations**	**Discontinued operations**	**Total Company**
Revenue	**$ 14,067,434**	**$ 3,005,821**	**$ -**	**$ (566,925)**	**$ 16,506,330**	**$ 5,604,238**	**$ 22,110,568**
Cost of revenues							
Cost of revenues	11,309,164	152,522	-	(472,038)	10,989,649	4,497,148	15,486,797
Gross margin	**2,758,269**	**2,853,299**	**-**	**(94,887)**	**5,516,681**	**1,107,090**	**6,623,771**
Expenses							
Salaries and other compensation costs	1,384,146	2,882,842	313,989	(94,887)	4,486,090	512,459	4,998,549
Office and general	813,049	987,523	18,957	-	1,819,528	450,833	2,270,361
Professional fees	69,402	15,933	51,777	-	137,112	53,850	190,962
	2,266,596	3,886,298	384,723	(94,887)	6,442,730	1,017,143	7,459,873
Adjusted EBITDA	**491,673**	**(1,032,999)**	**(384,723)**	**-**	**(926,049)**	**89,947**	**(836,102)**
Transaction costs	-	-	6,437	-	6,437	91,641	98,078
Share-based compensation	-	-	76,158	-	76,158	-	76,158
EBITDA	**491,673**	**(1,032,999)**	**(467,319)**	**-**	**(1,008,645)**	**(1,694)**	**(1,010,338)**
Amortization of intangible assets	52,497	64,463	480,611	-	597,572	-	597,572
Depreciation	30,258	26,575	827	-	57,659	-	57,659
Interest and financing costs	328,365	9,625	193,539	-	531,528	251,082	782,611
Income tax expense	556	-	-	-	556	60,000	60,556
Net income (loss)	**$ 79,997**	**$ (1,133,662)**	**$ (1,142,295)**	**$ -**	**$ (2,195,959)**	**$ (312,776)**	**$ (2,508,735)**

The Benefits Division

The Benefits Division has combined the services of multiple standalone companies to develop SEB's FlexPlus 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, hour bank/dollar bank 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, both corporate and government.

On March 31, 2017, SEB closed a transaction with Aon Hewitt Inc. ("AON") by which SEB acquired assets related to the mid-market Health Benefits Administration Business in Canada of AON ("Business") and formed a strategic alliance with AON. As part of this Transaction, SEB acquired several technology platforms, added approximately 150 former AON employees from Canada and India, and certain customer contracts were assigned to SEB. The AON book of business has generated $34.3M of revenue since acquisition ($7.5M in Fiscal 2017, $12.0M in 2018, $11.5M in 2019 and $3.3M in Q1 2020).

The purchase agreement included the transition of 48 clients representing over 265,000 plan members. Since 2017, SEB has renewed 35 of the contracts, signed new agreements and added over 90,000 net new plan members. SEB has also consolidated most of the client base onto a single FlexPlus 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 2020.

The BD currently has over 50 of Canada's corporate elite as clients, administers close to $1.0B benefits premium, and has a healthy contract backlog (the majority with two to five-year terms and automatically renewing). Management believes that over 95% of the current BD revenue base will be recurring. As this book of business generates primarily administration revenue, it is believed that there are growth opportunities which include marketing other modules within SEB's existing client base. Other opportunities to leverage SEB's FlexPlus platform within Canada, the USA and globally are aggressively being pursued including multiple white label ventures.

Adjusted EBITDA in the BD was $30K in Q1 2020 compared to negative $1.0M in Q1 2019. Revenue growth of $333K combined with reductions of $700K to operating costs as a result of the cost cutting initiatives implemented in the second half of 2019 contributed to the improvement of $1.0M in Q1 2020. Management expects the BD revenue to continue to grow in Fiscal 2020 and anticipates continuing to see the savings from cost reduction initiatives.

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 significant contracted revenue potential (backlog contracts, option years and evergreen). Contracts range from 2 to 6 years and will contribute to the Company's earnings during the remainder of 2020 and onwards. In addition, the division is currently aggressively pursuing multiple long-term contracts through the Canadian government Request for Proposal ("RFP") processes.

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 has multiple partnerships with other technology companies including Microsoft, Sequence Kinetics, DiCentral, etc.

The Infrastructure Team operates a self-assessed PCI compliant (Payment Card Industry) data center 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 was $524K in Q1 2020 compared to $492K in Q1 2019. Changes continue to be made to each of the entities to streamline operations, reduce costs, and leverage synergies between the companies. Examples of such change were reduction of executives in the Montreal office of Maplesoft and Toronto office of Logitek to save on infrastructure costs in Fiscal 2019; the amalgamation of SOMOS and APS – Antian Professional Services Inc. in Q1, 2018 to save on the infrastructure costs.

The transaction to divest of Paradigm's operating assets closed in the third quarter resulting in a gain of $2.0M. 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 in the comparative periods, until it's amalgamation with SEB on July 2, 2019. On July 3, 2019, the operating assets of Paradigm were sold to Paradigm LP of which the Company initially had a 25% ownership. This ownership has been reduced to 23.04% as of the date of reporting with Paradigm employee acquiring 1.96% shareholding for gross proceeds of $196K. The proceeds of sale of assets included $4.5M cash/cash equivalent, and cancellation of $3.0M Preferred Shares.

Stroma Service Consulting Inc. ("Stroma") had been amalgamated with Logitek Technology Ltd. ("Logitek") on January 1, 2020.

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 in accordance with the Board's mandate.

The CO includes Board and Management expense, expenses pertaining to operating the public entity and costs which benefit the entire 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.

Smart Employee Solutions ("SES") and SES Benefits Canada Corp ("SES Ben") had been amalgamated with SEB Administrative Services Inc. ("SEB Adm") on December 1, 2019.

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 $57.9M at February 29, 2020 from $57.0M at November 30, 2019.

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 engaged Scotia Capital in March 2019, to find a strategic investment partner. As of the date of this MD&A, the Company is in the final stages of the process.

Below is a table outlining the debt repayment commitments as at February 29, 2020:

	Notes Payable	Convertible Debt	Lease liablity (IFRS 16 cash payment)	Equipment Leases	Term Bank Loans	Royalty Advance (3)	Total
Fiscal 2020	5,016,340	2,181,515	987,923	29,662	5,000,000	1,786,667	15,002,107
Fiscal 2021	-	-	1,330,842	44,524	-	160,000	1,535,366
Fiscal 2022	-	-	1,243,269	-	-	133,333	1,376,602
Fiscal 2023	-	-	1,079,651	-	-	-	1,079,651
Fiscal 2024	-	-	1,079,651	-	-	-	1,079,651
Fiscal 2025	-	-	1,138,252	-	-	-	1,138,252
Fiscal 2026	-	-	1,139,411	-	-	-	1,139,411
Fiscal 2027	-	-	1,143,347	-	-	-	1,143,347
Fiscal 2028	-	-	1,010,747	-	-	-	1,010,747
Fiscal 2029	-	-	1,010,754	-	-	-	1,010,754
	$ 5,016,340	$ 2,181,515	$ 11,163,843	$ 74,186	$ 5,000,000	$ 2,080,000	$ 25,515,884

The borrowings of the Company under the debt facilities are secured by a general security agreement ("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 realize on their security.

During Fiscal 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, which generated cash proceeds of $4.5M ($4.25M of the proceeds were applied against the bank debt) and Paradigm's $3M preferred shares were redeemed.

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. The ability of the Company to issue additional common shares or other securities exchangeable for or convertible into common shares, may also 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 trade receivables insurance to minimize the impact of uncollectible accounts. As dictated by IFRS, the Company recorded an Expected Credit Loss ("ECL") provision. As at February 29, 2020, the ECL was $1.2M (November 30, 2019 - $1.2M); however, given the nature of SEB's typical client, management believes that 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 $62K ($69.6K at November 30, 2019). 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, during 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 offers competitive compensation and ensures a succession plan is in place for each key position. During Fiscal 2019, the CFO of SEB announced his retirement. SEB has appointed the new CFO from one of SEB subsidiaries to assume the responsibilities.

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 assets, share based compensation, transaction costs, write down of assets, investment income, interest and financing costs 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 of a new business or debt issuance/repayment.

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

	For the quarter ended	
	Feb 29, 2020	*Feb 28, 2019*
Net loss from continuing operations	**$ (1,587,800)**	**$ (2,195,959)**
Interest and financing costs	725,580	531,528
Income tax expense(recovery)	(3,928)	556
Depreciation and amortization	633,171	655,231
Deprecation charge	161,077	-
EBITDA	**(71,900)**	**(1,008,644)**
Share- based compensation	15,576	76,158
Transaction costs	-	6,437
Adjusted EBITDA	**$ (56,324)**	**$ (926,049)**

Schedule A – Quarterly Consolidated Statements of Comprehensive Income (Loss)

	Dec 1, 2019 to Feb 29, 2020	Sep 1, 2019 to Nov 30, 2019	June 1, 2019 to Aug 31, 2019	Mar 1, 2019 to May 31, 2019	Dec 1, 2018 to Feb 28, 2019	Sep 1, 2018 to Nov 30, 2018 (Note 1)	June 1, 2018 to Aug 31, 2018 (Note 1)	Mar 1, 2018 to May 31, 2018 (Note 1)
Revenue	**$ 16,520,977**	**$ 17,326,306**	**$ 16,974,918**	**$ 17,675,478**	**$ 16,506,330**	**$ 18,559,118**	**$ 17,990,986**	**$ 20,019,485**
Cost of revenues	11,198,629	11,689,312	11,403,091	12,224,037	10,989,649	12,803,253	12,272,162	14,061,863
Gross Margin	**5,322,348**	**5,636,994**	**5,571,827**	**5,451,441**	**5,516,681**	**5,755,865**	**5,718,823**	**5,957,622**
Gross Margin as a % of Revenue	*32.2%*	*32.5%*	*32.8%*	*30.8%*	*33.4%*	*31.0%*	*31.8%*	*29.8%*
Salaries and other compensation costs	3,805,798	3,520,013	4,008,953	4,427,102	4,486,090	4,886,028	4,363,734	3,868,546
Professional fees	169,443	303,312	111,674	315,072	137,112	580,742	60,214	553,123
Office and general	1,403,431	1,946,928	1,275,940	1,235,608	1,819,528	1,723,510	1,159,385	1,269,466
Adjusted EBITDA	**(56,324)**	**(133,259)**	**175,261**	**(526,341)**	**(926,049)**	**(1,434,415)**	**135,490**	**266,487**
Investment income	-	(181,424)	(34,077)	-	-	-	-	-
Gain on sale of assets	-	(153,461)	(1,894,514)	-	-	-	-	-
Write down of assets	-	-	-	-	-	6,671,890	-	-
Transition and decommissioning costs	-	-	-	-	-	-	-	161,750
Change in fair value of contingent consideration	-	(36,094)	-	-	-	(480,374)	-	-
Share- based compensation	15,576	11,903	35,675	63,151	76,158	(171,152)	216,998	425,270
Transaction costs	-	(117,856)	136,021	50,000	6,437	-	-	-
EBITDA	**(71,900)**	**343,673**	**1,932,158**	**(639,493)**	**(1,008,644)**	**(7,454,779)**	**(81,508)**	**(320,533)**
Interest and financing costs	725,580	783,599	994,527	608,487	531,528	(400,582)	618,939	878,706
Income tax expense(recovery)	(3,928)	(141,521)	(451,128)	(556)	556	(1,267,024)	(42,983)	22,706
Depreciation and amortization	633,171	744,460	623,321	1,120,003	655,231	768,493	777,520	757,185
Deprecation charge	161,077	-	-	-	-	-	-	-
Net income (loss) from continuing operations	**(1,587,800)**	**(1,042,865)**	**765,438**	**(2,367,426)**	**(2,195,959)**	**(6,555,666)**	**(1,434,984)**	**(1,979,130)**
Income (Loss) from assets held for sale, net of tax	-	-	(93,799)	35,890	(312,776)	(1,432,309)	128,204	(312,934)
Net comprehensive income (loss)	**$ (1,587,800)**	**$ (1,042,865)**	**$ 671,639**	**$ (2,331,536)**	**$ (2,508,735)**	**$ (7,987,974)**	**$ (1,306,780)**	**$ (2,292,064)**
Attributed to non-controlling interest	(241,535)	(50,105)	(50,776)	(184,035)	155,922	(136,312)	167,478	(8,158)
Attributed to common shareholders	(1,346,265)	(992,760)	722,415	(2,147,501)	(2,664,657)	(7,851,662)	(1,474,258)	(2,283,910)
Total	**$ (1,587,800)**	**$ (1,042,865)**	**$ 671,639**	**$ (2,331,536)**	**$ (2,508,735)**	**$ (7,987,974)**	**$ (1,306,780)**	**$ (2,292,068)**

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

Schedule B – Quarterly Consolidated Statements of Financial Position

	Feb 29, 2020	Nov 30, 2019	Aug 31, 2019 (Note 1)	May 31, 2019 (Note 1)	Feb 28, 2019 (Note 1)	Nov 30, 2018 (Note 1)	Aug 31, 2018	May 31, 2018
Cash	$ 373,502	$ 521,067	$ 968,361	$ 1,002,230	$ 440,845	$ 750,191	$ 1,399,402	$ 955,916
Trade receivables	15,747,456	15,833,510	15,596,874	16,252,930	15,304,162	16,086,172	20,593,680	20,780,464
Inventory	202,796	37,344	137,569	197,928	196,377	199,174	213,804	216,843
Contract assets	-	-	-	-	-	-	91,722	-
Prepaids and deposits	946,700	936,094	879,793	743,257	1,113,678	1,284,737	1,650,913	1,172,583
Government remittances and current taxes receivables	266,083	481,881	-	-	-	-	-	-
Short-term notes receivable	620	620	-	-	-	-	-	-
Investment in Paradigm LP	304,000	304,000	500,000	-	-	-	-	-
Assets held for sale	-	-	-	11,297,938	10,557,280	10,622,667	-	-
Total Current Assets	**17,841,157**	**18,114,516**	**18,082,597**	**29,494,283**	**27,612,342**	**28,942,941**	**23,949,521**	**23,125,807**
Long-term contract assets	712,457	655,745	-	-	-	-	1,001,479	739,497
Long-term prepaids and deposits	318,078	474,784	461,602	462,556	573,748	573,748	243,151	271,900
Notes receivable	2,414,600	2,414,600	2,470,650	2,470,651	2,459,401	2,291,271	4,323,052	4,165,008
Right of use asset	7,316,333	-	-	-	-	-	-	-
Equipment and software	1,460,341	1,529,505	1,652,741	1,816,024	2,429,167	2,473,316	3,002,727	3,218,675
Intangible assets	9,474,400	9,926,400	10,378,400	10,830,400	11,328,926	11,830,082	21,813,384	22,725,382
Investment in Paradigm LP	2,215,501	2,215,501	2,034,077	-	-	-	-	-
Total Assets	**$ 41,752,867**	**$ 35,331,051**	**$ 35,080,067**	**$ 45,073,914**	**$ 44,403,584**	**$ 46,111,358**	**$ 54,333,313**	**$ 54,246,270**
Current portion of bank debt	$ 11,218,449	$ 11,955,266	$ 12,828,857	$ 16,999,420	$ 14,178,160	$ 19,505,075	$ 12,812,147	$ 13,663,816
Accounts payable and accrued liabilities	26,886,030	25,802,302	23,299,176	23,984,692	24,031,318	19,364,989	19,330,271	19,376,997
Contract liabilities	672,372	797,785	948,722	651,600	761,482	649,088	743,624	478,724
Equipment leases	29,661	46,438	45,981	62,757	67,108	67,108	67,108	67,108
Current portion of convertible debt	2,175,606	2,151,744	2,139,249	1,639,894	1,594,535	1,561,971	1,238,426	1,243,130
Short-term notes payable	5,016,340	5,043,068	5,205,647	4,963,395	4,951,191	3,504,760	3,962,262	1,846,276
Royalty advance	2,080,000	2,080,000	2,080,000	2,080,000	2,080,000	2,080,000	1,600,000	1,600,000
Current portion of lease payable	619,893	-	-	-	-	-	-	-
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	**48,698,351**	**47,876,603**	**46,547,632**	**56,987,990**	**54,090,952**	**53,004,425**	**40,103,837**	**38,626,051**
Term bank loans	-	-	-	-	-	-	6,906,250	7,000,000
Equipment leases	44,525	48,833	-	-	12,427	29,204	45,981	62,758
Contingent consideration payable	888,504	893,584	787,124	791,292	798,438	804,219	1,334,707	1,447,355
Convertible debt	-	-	-	475,000	496,000	517,000	538,000	559,000
Notes payable	-	-	43,770	-	-	1,296,104	1,257,332	1,320,346
Lease payable	6,655,258	-	-	-	-	-	-	-
Deferred income taxes	78,806	78,806	237,356	121,760	121,760	16,245	2,088,884	2,088,884
Preferred shares	-	-	-	-	-	-	2,881,713	2,875,487
Total Long- Term Liabilities	**7,667,093**	**1,021,223**	**1,068,250**	**1,388,052**	**1,428,625**	**2,662,772**	**15,052,867**	**15,353,830**
Share capital, warrants, options, equity issue costs and contributed surplus	43,873,530	43,857,954	43,846,050	43,751,375	43,605,975	42,657,393	42,800,544	42,583,546
Accumulated deficit	(57,863,191)	(57,043,348)	(56,050,589)	(56,773,004)	(54,625,503)	(51,960,846)	(44,098,802)	(42,624,274)
Total Shareholders' Deficiency	**(13,989,661)**	**(13,185,394)**	**(12,204,539)**	**(13,021,629)**	**(11,019,528)**	**(9,303,453)**	**(1,298,258)**	**(40,728)**
Non-controlling interests	**(622,916)**	**(381,381)**	**(331,276)**	**(280,500)**	**(96,465)**	**(252,387)**	**474,866**	**307,117**
Total Liabilities and Shareholders' Deficiency	**$ 41,752,867**	**$ 35,331,051**	**$ 35,080,067**	**$ 45,073,913**	**$ 44,403,584**	**$ 46,111,358**	**$ 54,333,313**	**$ 54,246,270**

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

Schedule C – Quarterly Consolidated Statements of Cash Flows

	Quarters (Total Company--not segregated into continuing and discontinued operations)							
	Dec 1, 2019 to Feb 29, 2020	*Sep 1, 2019 to Nov 30, 2019*	*June 1, 2019 to Aug 31, 2019*	*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*
Net income (loss)	**$ (1,587,800)**	**$ (1,042,865)**	**$ 671,639**	**$ (2,331,536)**	**$ (2,508,735)**	**$ (7,987,975)**	**$ (1,306,780)**	**$ (2,292,066)**
Add items not involving cash:								
Income tax recovery	-	(592,650)	-	-	-	(2,072,639)	-	-
Amortization and depreciation	633,170	744,461	623,319	1,120,003	655,231	776,241	1,130,925	1,110,134
Depreciation of right-of-use assets	161,077	-	-	-	-	-	-	-
Interest accretion	9,261	9,261	9,363	9,363	9,159	12,540	12,640	10,114
Interest on lease liabilities	121,970	-	-	-	-	-	-	-
Change in fair value of contingent consideration	-	(36,094)	-	-	-	(350,226)	(140,808)	-
Write-down of assets	-	-	-	-	-	6,671,890	-	-
Royalty advance bonus	-	-	-	-	-	480,000	-	-
Share-based compensation	15,576	11,903	35,676	63,150	76,158	(171,152)	216,998	425,270
Gain on sale of assets	-	(153,461)	(1,894,514)	-	-	-	-	-
Gain on settlement of debt	-	-	(472,364)	-	-	-	-	-
Cash flow used in operating activities before the following:	(646,746)	(1,059,444)	(1,026,882)	(1,139,020)	(1,768,187)	(2,641,321)	(87,025)	(746,548)
Change in non-cash working capital	1,659,199	1,664,599	(281,707)	(232,352)	6,092,532	2,822,509	(199,069)	1,052,450
Cash flows from (used in) operating activities	**1,012,453**	**605,155**	**(1,308,589)**	**(1,371,372)**	**4,324,345**	**181,188**	**(286,094)**	**305,902**
Cash flows from investing activities								
Advances to notes receivable	(10,489)	(31,280)	(9,012)	(19,131)	(208,545)	(164,853)	(158,044)	(190,797)
Proceeds from sale of assets	-	-	4,342,475	-	-	-	-	-
Purchase of software and equipment	(68,775)	(69,589)	2,986	(9,542)	(119,788)	(22,312)	(951)	(408,328)
Cash flows from (used in) investing activities	**(79,264)**	**(100,869)**	**4,336,449**	**(28,673)**	**(328,333)**	**(187,165)**	**(158,995)**	**(599,125)**
Cash flows from financing activities								
Issuance (Repayment) of convertible debt	(21,000)	(21,000)	(21,000)	(21,000)	(32,805)	158,377	(38,344)	(847,367)
Proceeds from(Redemption of) preferred shares financing	-	(100,000)	-	-	-	-	-	-
Net proceeds from equity financings	-	(82,549)	-	82,250	872,424	28,000	-	21,000
Proceeds (Repayment) of bank debt	(736,816)	(873,590)	(4,170,564)	2,821,261	(5,326,915)	(213,322)	(945,419)	(593,998)
Issuance of warrants	-	59,000	-	-	-	-	-	-
Exercise of warrants	-	82,250	-	-	-	-	-	-
Exercise of options	-	299	-	-	-	-	-	-
Repayment of equipment leases	(67,108)	(16,777)	(16,777)	(16,777)	(16,777)	(16,777)	(16,777)	(16,777)
Proceeds (Repayment) of notes payable	(41,230)	786	(104,910)	(44,901)	(44,892)	36,221	1,889,108	(481,883)
Payment of principal portion of lease liabilities	(214,601)	-	-	-	-	-	-	-
Cash flows from (used in) financing activities	**(1,080,754)**	**(951,581)**	**(4,313,251)**	**2,820,833**	**(4,548,965)**	**(7,501)**	**888,568**	**(1,919,025)**
Net change in cash for the period	(147,565)	(447,295)	(1,285,388)	1,420,789	(552,953)	(13,478)	443,485	(2,212,248)
Cash, beginning of quarter	521,067	968,362	2,253,754	832,963	1,385,917	1,399,401	955,916	3,168,164
Cash, end of quarter	**$ 373,502**	**$ 521,067**	**$ 968,367**	**$ 2,253,754**	**$ 832,964**	**$ 1,385,923**	**$ 1,399,401**	**$ 955,916**

**Certain numbers have been reclassified to conform with current period's presentation