

Condensed Consolidated Interim Financial Statements
(Expressed in Canadian Dollars)



Experience the Benefits of People

Three months ended November 30, 2016
(Unaudited)

In accordance with National Instruments 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited interim condensed consolidated financial statements for the three months ended November 30, 2016.

PEOPLE CORPORATION

Condensed Consolidated Interim Statements of Financial Position
(Expressed in Canadian dollars) (unaudited)

	Note	November 30, 2016	August 31, 2016
Assets			
Current assets:			
Cash		\$ 10,468,044	\$ 14,369,959
Trade and other receivables		8,403,872	9,421,731
Income taxes receivable		966,560	782,602
Prepaid and other current assets		1,163,373	1,175,832
Total current assets		21,001,849	25,750,124
Non-current assets:			
Property and equipment	4	1,893,159	1,953,986
Goodwill and intangible assets	5	119,513,152	120,273,962
Deferred tax asset		1,581,864	1,228,840
Total non-current assets		122,988,175	123,456,788
Total assets		\$ 143,990,024	\$ 149,206,912
Liabilities and shareholders' equity			
Current liabilities:			
Trade payables, accrued and other liabilities	6	\$ 5,972,750	\$ 10,905,251
Deferred revenue	7	4,849,366	5,263,309
Current portion of loans and borrowings	10	2,739,286	2,642,625
Total current liabilities		13,561,402	18,811,185
Accrued and other liabilities	6	1,036,976	2,302,519
Deferred revenue	7	159,477	106,124
Non-controlling interest put options	9	33,878,265	32,571,809
Loans and borrowings	10	19,194,712	37,834,542
Deferred tax liability		12,529,132	12,895,873
Total liabilities		80,359,964	104,522,052
Shareholders' equity:			
Share capital	11	58,327,552	39,333,725
Contributed surplus		1,439,883	1,213,006
Retained earnings		3,862,625	4,138,129
Total shareholders' equity		63,630,060	44,684,860
Total liabilities and shareholders' equity		\$ 143,990,024	\$ 149,206,912

Commitments and contingencies (Note 15)

The notes are an integral part of these Condensed Consolidated Interim Financial Statements.

PEOPLE CORPORATION

Condensed Consolidated Interim Statements of Comprehensive Loss
(Expressed in Canadian dollars) (unaudited)

	Note	Three months November 30, 2016	Three months November 30, 2015
Revenue		\$ 23,344,727	\$ 16,314,894
Operating expenses		19,234,490	12,895,242
Depreciation and amortization	4,5	1,922,574	1,854,073
Finance expenses	13	1,848,631	1,293,643
Acquisition, integration and reorganization costs		260,337	213,368
	17	23,266,032	16,256,326
Income before income taxes		78,695	58,568
Income tax expense (recovery):			
Current		999,116	772,849
Deferred		(644,917)	(565,206)
		354,199	207,643
Loss and Comprehensive Loss		\$ (275,504)	\$ (149,075)
Loss per share	11(c)		
Basic		\$ (0.006)	\$ (0.003)
Diluted		\$ (0.006)	\$ (0.003)

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Condensed Consolidated Interim Statements of Changes in Equity
(Expressed in Canadian dollars) (unaudited)

	Note	Share Capital	Contributed Surplus	Retained Earnings	Total
Balance, August 31, 2015		\$ 39,029,883	\$ 736,584	\$ 4,312,923	\$ 44,079,390
Net income (loss) and comprehensive income for the period		-	-	(149,075)	(149,075)
Share-based payments	12(b)(c)(d)	-	244,798	-	244,798
		-	244,798	(149,075)	95,723
Balance, November 30, 2015		\$ 39,029,883	\$ 981,382	\$ 4,163,848	\$ 44,175,113
Net income (loss) and comprehensive income for the period		-	-	(25,719)	(25,719)
Exercise of stock options		303,842	(117,475)	-	186,367
Share-based payments		-	349,099	-	349,099
		303,842	231,624	(25,719)	509,747
Balance, August 31, 2016		\$ 39,333,725	\$ 1,213,006	\$ 4,138,129	\$ 44,684,860
Net loss and comprehensive loss for the period		-	-	(275,504)	(275,504)
Issuance of common shares	11(b)	18,946,403	-	-	18,946,403
Exercise of stock options	11(b)	47,424	(19,799)	-	27,625
Share-based payments	12(b)(c)(d)	-	246,676	-	246,676
		18,993,827	226,877	(275,504)	18,945,200
Balance, November 30, 2016		\$ 58,327,552	\$ 1,439,883	\$ 3,862,625	\$ 63,630,060

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Condensed Consolidated Interim Statements of Cash Flows
(Expressed in Canadian dollars) (unaudited)

	Note	Three months November 30, 2016	Three months November 30, 2015
Operating activities			
Loss for the period		\$ (275,504)	\$ (149,075)
Adjustments for:			
Depreciation	4	193,337	323,804
Amortization of intangible assets	5	1,729,237	1,530,269
Share-based compensation	12(b)(c)(d)	246,676	244,798
Change in estimated fair value of non-controlling interest put option	13	1,531,456	879,798
Accretive interest expense	13	17,640	116,141
Deferred tax recovery		(719,765)	(565,206)
Net cash from operations		2,723,077	2,380,529
Change in the following:			
Trade and other receivables		1,017,859	263,273
Other current assets		12,459	(34,907)
Trade payables, accrued and other liabilities		(6,200,049)	(1,437,675)
Deferred revenue		(360,590)	(604,073)
Income tax payable		(183,958)	313,129
Net cash from (used by) working capital items		(5,714,279)	(1,500,253)
Net cash from operating activities		(2,991,202)	880,276
Investing activities			
Acquisition of property and equipment	4	(132,515)	(230,239)
Acquisition of intangible assets	5	(968,427)	(388,089)
Net cash used in investing activities		(1,100,942)	(618,328)
Financing activities			
Proceeds from exercise of stock options		27,625	-
Repayment of loans and borrowings		(18,558,799)	(158,551)
Proceeds from private placement of shares, net		18,946,403	-
Payment of dividends on non-controlling interest	9	(225,000)	-
Net cash from financing activities		190,229	(158,551)
Net (decrease) increase in cash		(3,901,915)	103,397
Cash at beginning of the period		14,369,959	6,514,734
Cash at the end of the period		\$ 10,468,044	\$ 6,618,131

The notes are an integral part of these Condensed Consolidated Interim Financial Statements.

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Notes to the Condensed Consolidated Interim Financial Statements
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For the three months ended November 30, 2016

1. Reporting entity:

People Corporation (the "Company") was incorporated under the Ontario Business Corporations Act on July 5, 2006. The Company is a public company listed on the TSX Venture Exchange (the "TSX-V"), trading under the "PEO" symbol and is domiciled in Canada. The address of the Company's head office is 360 Main Street, Suite 1800, Winnipeg, Manitoba, Canada and the Company's registered office is 180 Bay Street, Suite 4400, Toronto, Ontario, Canada. These condensed consolidated interim financial statements of the Company comprise accounts of the Company and its subsidiaries. The Company is primarily involved in the delivery of employee group benefit consulting, third-party benefits administration services, pension consulting and human resources consulting to help companies recruit, retain and reward employees.

2. Basis of presentation:

These condensed consolidated interim financial statements for the three months ended November 30, 2016 have been prepared in accordance with International Accounting Standards 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board.

These condensed consolidated interim financial statements do not include all the disclosures required by International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") for annual consolidated financial statements and accordingly should be read in conjunction with the Company's audited consolidated financial statements for the year ended August 31, 2016 prepared in accordance with IFRS.

These condensed consolidated interim financial statements were approved by the Board of Directors and authorized for issue on January 19, 2017.

3. Significant accounting policies:

The accounting policies applied by the Company in these condensed consolidated interim financial statements are consistent with those applied by the Company in its consolidated financial statements as at and for the year ended August 31, 2016.

The following new and revised Standards and Interpretations have been issued by IASB but are not yet effective:

IFRS 9, *Financial Instruments* ("IFRS 9")

The IASB issued IFRS 9 as a single approach to determine whether a financial asset is measured at amortized cost or fair value, and replaces the multiple rules in IAS 39. The approach in IFRS 9 focuses on how an entity manages its financial instruments in the context of its business model, as well as the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods currently provided in IAS 39. The effective date is for annual periods beginning on or after January 1, 2018.

IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15")

The IASB issued IFRS 15 to establish principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It provides a single model in order to depict the transfer of promised goods or services to customers. The core principle of IFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. IFRS 15 also includes a cohesive set of disclosure requirements that would result in an entity providing comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. This standard is effective for annual periods beginning on or after January 1, 2018 with earlier adoption permitted.

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IFRS 16, Leases ("IFRS 16")

The IASB issued IFRS 16 set out principles for the recognition, measurement, presentation and disclosure of leases. The objective of IFRS 16 is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity. The standard is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted for those entities that have also adopted IFRS 15.

The Company is currently evaluating the impact of adopting IFRS 9, IFRS 15 and IFRS16 on its consolidated financial statements and the extent of the impact of adoption of the standard has not yet been determined.

4. Property and equipment:

The Company had the following property and equipment:

	Leasehold improvements	Furniture & fixtures	Computer equipment	Automobiles	Total
Cost					
Balance, August 31, 2015	\$ 1,424,698	\$ 2,201,137	\$ 2,432,973	\$ 35,000	\$ 6,093,808
Additions	283,892	50,680	147,396	-	481,968
Acquisition through business combination	1,776,521	988,136	1,075,247	120,857	3,960,761
Balance, August 31, 2016	3,485,111	3,239,953	3,655,616	155,857	10,536,537
Additions	15,072	7,109	110,334	-	132,515
Write down and disposal of assets	-	(2,668)	-	-	(2,668)
Balance, November 30, 2016	\$ 3,500,183	\$ 3,244,394	\$ 3,765,950	\$ 155,857	\$ 10,666,384
Depreciation					
Balance, August 31, 2015	\$ (842,169)	\$ (1,680,660)	\$ (1,969,819)	\$ (18,340)	\$ (4,510,988)
Depreciation for the period	(298,647)	(166,045)	(296,005)	(15,327)	(776,024)
Acquisition through business combination	(1,525,691)	(789,643)	(943,529)	(36,676)	(3,295,539)
Balance, August 31, 2016	(2,666,507)	(2,636,348)	(3,209,353)	(70,343)	(8,582,551)
Depreciation for the period	(65,919)	(41,285)	(79,720)	(6,413)	(193,337)
Write down and disposal of assets	-	2,663	-	-	2,663
Balance, November 30, 2016	\$ (2,732,426)	\$ (2,674,970)	\$ (3,289,073)	\$ (76,756)	\$ (8,773,225)
Carrying amounts					
Balance, August 31, 2016	\$ 818,604	\$ 603,605	\$ 446,263	\$ 85,514	\$ 1,953,986
Balance, November 30, 2016	\$ 767,757	\$ 569,424	\$ 476,877	\$ 79,101	\$ 1,893,159

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5. Goodwill and intangible assets:

The Company had the following goodwill and intangible assets:

	Goodwill	Customer relationships	Customer contracts	Computer software	Total
Cost					
Balance, August 31, 2015	\$ 56,068,618	\$ 47,771,813	\$ 3,506,110	\$ 2,499,127	\$109,845,668
Additions	-	790,562	331,884	962,145	2,084,591
Acquisition through business combination	14,665,972	12,431,347	-	3,294,280	30,391,599
Balance, August 31, 2016	70,734,590	60,993,722	3,837,994	6,755,552	142,321,858
Additions	-	525,269	206	442,952	968,427
Balance, November 30, 2016	\$ 70,734,590	\$ 61,518,991	\$ 3,838,200	\$ 7,198,504	\$143,290,285
Amortization					
Balance, August 31, 2015	\$ -	\$ (8,399,740)	\$ (2,491,369)	\$ (1,866,867)	\$(12,757,976)
Amortization for the period	-	(5,317,905)	(329,905)	(551,774)	(6,199,584)
Acquisition through business combination	-	-	-	(3,090,336)	(3,090,336)
Balance, August 31, 2016	-	(13,717,645)	(2,821,274)	(5,508,977)	(22,047,896)
Amortization for the period	-	(1,460,107)	(82,477)	(186,653)	(1,729,237)
Balance, November 30, 2016	\$ -	\$ (15,177,752)	\$ (2,903,751)	\$ (5,695,630)	\$(23,777,133)
Carrying amounts					
Balance, August 31, 2016	\$ 70,734,590	\$ 47,276,077	\$ 1,016,720	\$ 1,246,575	\$120,273,962
Balance, November 30, 2016	\$ 70,734,590	\$ 46,341,239	\$ 934,449	\$ 1,502,874	\$119,513,152

6. Trade payables, accrued and other liabilities:

The Company had the following trade payables, accrued and other liabilities:

	November 30, 2016	August 31, 2016
Trade payables and other liabilities	\$ 5,920,168	\$ 10,852,669
Contingent acquisition consideration	-	1,308,793
Post-retirement benefits and other liabilities	1,089,558	1,046,308
	7,009,726	13,207,770
Less current portion of trade payables, accrued and other liabilities	5,972,750	10,905,251
Total non-current accrued and other liabilities	\$ 1,036,976	\$ 2,302,519

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Amounts previously recorded as contingent acquisition consideration related to the acquisition of Hamilton + Partners group of companies ("H+P") on July 9, 2013, were paid on November 29, 2016 for the fair value consideration of \$1,308,793. For the three months ended November 30, 2016 the Company recognized an adjustment to the fair value of the contingent consideration of nil (2016 - \$37,642).

7. Deferred revenue:

Deferred revenue is a non-cash liability which represents the excess of retainer amounts billed over costs incurred and revenue earned on service contracts. The Company had the following deferred revenue:

	November 30, 2016	August 31, 2016
Fees received in advance	\$ 5,008,843	\$ 5,369,433
Less current portion of deferred revenue	4,849,366	5,263,309
Long-term portion of deferred revenue	\$ 159,477	\$ 106,124

8. Insurance premium liabilities and related cash:

In its capacity as third-party benefits administrator, the Company collects premiums from insurers and remits premiums, net of agreed deductions, such as taxes, administrative fees and commissions, to insurance underwriters. These are considered flow-through items for the Company and, as such, the cash and investment balances relating to these liabilities are deducted from the related liability in the consolidated balance sheets. The Company has the following amounts held in accounts segregated from the Company's operating funds for insurance premium liabilities.

	November 30, 2016	August 31, 2016
Payable to carriers and insured individuals or groups	\$ 57,841,705	\$ 46,034,450
Less related cash balances	57,841,705	46,034,450
	\$ -	\$ -

9. Non-controlling interest put options:

The Company is subject to the following non-controlling interest put options:

	Note	November 30, 2016	August 31, 2016
Balance, beginning of period		\$ 32,571,809	\$ 22,649,069
Acquisition through business combination		-	7,277,442
Change in estimated fair value	13	1,531,456	3,586,413
Less payment of dividends on non-controlling interest		(225,000)	(941,115)
Balance, end of period		\$ 33,878,265	\$ 32,571,809

Changes in estimated fair value represents accretion of interest and changes in assumptions used to estimate the liability related to future dividend payments and put features.

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(i) BPA

In connection with the BPA acquisition, the Company entered into various agreements whereby the BPA Principals, through a class of non-voting, non-cumulative, dividend-bearing shares of BPA ("BPA Principal Shares") and options to acquire BPA Principal Shares at a nominal price over a period of approximately four and one-half years from April 13, 2016 ("BPA Share Options") can collectively hold an aggregate 33% economic interest in BPA ("BPA Retained Economic Interest"). Commencing November 29, 2016, the issued Company Shares and BPA Principal Shares have an ongoing contractual right to receive quarterly dividends based on a calculation derived from BPA's earnings. The Company is entitled to a priority on the payment of dividends declared on the BPA dividend-bearing shares to the extent of a specified earnings amount.

In addition, the Company has a future right to purchase the BPA Principal Shares ("BPA Call Options") and individual BPA Principals have a future right to require the Company to purchase the BPA Principal Shares (collectively, the "BPA Put Options"), subject to the satisfaction of certain terms and conditions and by giving notice to the Company. On the effective date of exercise of the BPA Call Options or the BPA Put Options, the BPA Principal's pro-rata right to earn dividends will be terminated.

The liability recognized in connection with the BPA Retained Economic Interest, which includes the fair value of future dividend entitlements of the BPA Principal Shares and the BPA Put Options, has been determined based on a pre determined formula defined in an agreement which is based on a multiple of estimated future earnings of BPA, the estimated future exercise dates of BPA Put Options and other factors. Individual BPA Vendors are restricted from exercising their respective BPA Put Options until dates on or after August 31, 2019, subject to certain terms and conditions including restrictions requiring a minimum time period between individual exercise dates.

(ii) Coughlin

In connection with the Coughlin acquisition, the Company entered into various agreements whereby the former Coughlin shareholders (the "Coughlin Vendors") retained an initial 34% minority economic interest ("Coughlin Retained Economic Interest") through a class of non-voting, non-cumulative, dividend-bearing shares of Coughlin ("Coughlin Vendor Shares"). In addition, certain of the Coughlin Vendors were issued a class of non-voting, non-cumulative, dividend-bearing shares of Coughlin ("Coughlin Spring Shares") in which the aggregate Coughlin Retained Economic Interest can increase to 40% in five years, subject to certain specified terms and conditions having been met and subject to Coughlin achieving certain financial performance targets over the next five years, and thereby reducing the Company's economic interest in Coughlin to 60%.

All classes of non-voting, non-cumulative, dividend-bearing shares of Coughlin have an ongoing contractual right to receive dividends based on a calculation derived from Coughlin's earnings. The Company is entitled to a priority on the payment of dividends declared on a distinct class of Coughlin dividend-bearing shares to the extent of a specified earnings amount. Coughlin dividend entitlements are paid in arrears on a quarterly basis.

In addition, the Company has the right to purchase the Coughlin Vendor Shares and the Coughlin Spring Shares ("Coughlin Call Options") and individual Coughlin Vendors have the right to require the Company to purchase the Coughlin Vendor Shares and the Coughlin Spring Shares (the "Coughlin Put Options") by giving notice to the Company. On the effective date of exercise of the Coughlin Call Options or the Coughlin Put Options, the Coughlin Vendor's right to earn earnings-based dividends will be terminated.

The liability recognized in connection with the Coughlin Retained Economic Interest, which includes the fair value of future dividend entitlements of the Coughlin Vendor Shares and Coughlin Spring Shares and the Coughlin Put Options, has been determined based on a pre-determined formula defined in an agreement which is based on a multiple of estimated future earnings of Coughlin, the estimated future exercise dates of Coughlin Put Options and other factors. Individual Coughlin Vendors are restricted from exercising their respective Coughlin Put Options until dates on or after August 31, 2018, subject to certain terms and conditions including restrictions requiring a minimum time period between individual exercise dates.

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On September 1, 2016, 1,000 Class Y Shares were exercised under the terms of the Coughlin Put Options with a total value of \$450,904.

(iii) H+P

In connection with the acquisition of H+P, the Company entered into various agreements whereby the H+P vendors hold an economic interest in H+P through the ongoing right to earn performance-based commissions and fees. In addition, the H+P vendors hold ongoing ownership through non-voting, non-dividend earning special shares ("H+P Special Shares"). The Company has the right to purchase the H+P Special Shares ("H+P Call Option") and the vendors have the right to require the Company to purchase the H+P Special Shares ("H+P Put Option") at certain dates in the future, subject to certain vesting and other conditions. On the effective date of exercise of the H+P Call Option or the H+P Put Option, the H+P vendor's right to earn performance-based commissions and fees will be terminated.

The liability recognized in connection with the H+P Put Option has been determined based on a pre-determined formula defined in an agreement which is based on a multiple of estimated future earnings of H+P, the estimated future exercise dates and other factors. The H+P Put Option was restricted until July 2016, which is three years from the effective date of the agreement, but then may be exercisable at any time by the non-controlling shareholder(s), subject to certain terms and conditions.

(iv) Bencom

In connection with the acquisition of Bencom Financial Service Group Inc. ("Bencom"), the Company entered into various agreements whereby the vendors hold an economic interest in Bencom through the ongoing right to earn performance-based commissions and fees. In addition, the vendors hold ongoing ownership through non-voting, non-dividend earning special shares ("Bencom Special Shares"). The Company has the right to purchase the Bencom Special Shares ("Bencom Call Option") and the vendors have the right to require the Company to purchase the Bencom Special Shares ("Bencom Put Option") at certain dates in the future, subject to certain vesting and other conditions. On the effective date of exercise of the Bencom Call Option or the Bencom Put Option, the Bencom vendor's right to earn performance-based commissions and fees will be terminated.

The liability recognized in connection with the Bencom Put Option has been determined based on a pre-determined formula defined in an agreement which is based on a multiple of estimated future earnings of Bencom, the estimated future exercise dates and other factors. The Bencom Put Option was restricted until December 2015, which was three years from the effective date of the agreement, but may subsequently be exercisable at any time by the non-controlling shareholder(s), subject to certain terms and conditions.

The fair value of the liability associated with the non-controlling put options is determined by discounting the estimated future payment obligation at each reporting date, and changes in fair value of the estimated liability in future periods will be recorded in finance costs in subsequent consolidated statements of comprehensive income.

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10. Loans and borrowings:

The Company had the following loans and borrowings, which are measured at amortized cost:

	November 30, 2016	August 31, 2016
Term loans		
(a) A bank loan bearing interest of bankers' acceptance rates plus an amount equal to 1.75% to 3.50% per annum subject to certain terms, secured by the assets of the Company, repayable in quarterly installments equal to 2.00% to 3.00% of the opening principal balance throughout the term of the agreement. The loan matures October 31, 2019 unless extended pursuant to the agreement.	\$ 20,548,875	\$ 21,104,250
(b) A bank loan bearing interest of bankers' acceptance rates plus an amount equal to 1.75% to 3.50% per annum subject to certain terms, secured by the assets of the Company, to the extent not previously paid, the principal shall be due and payable on the maturity date. The loan matures October 31, 2019 unless extended pursuant to the agreement.	-	17,984,955
Total term loans	20,548,875	39,089,205
Vendor take-back loans		
(c) A vendor take-back loan bearing no interest per annum, unsecured, payable in three annual installments of \$100,000. The amortized cost of the loan has been discounted using a rate equal to 5.80%. The loan matures on October 29, 2017.	199,372	198,094
(d) A vendor take-back loan bearing no interest per annum, unsecured, payable in monthly installments of \$5,224. The amortized cost of the loan has been discounted using a rate of 6.43%. The loan matures on August 31, 2017.	45,712	60,494
(e) A vendor take-back loan bearing no interest per annum, unsecured, payable in five payments: \$150,000 in the first year and \$300,000 annually thereafter. The amortized cost of the loan has been discounted using a rate of 4.40%. The loan matures on June 12, 2020.	1,103,558	1,090,098
Total vendor take-back loans	1,348,642	1,348,686
Finance lease liabilities		

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(f) A finance lease repayable in monthly installments of \$1,082 and secured by the assets to which the obligation relates. The lease expires December 13, 2019 and includes an implicit interest rate equal to 4.71%.	36,481	39,276
Total finance lease liabilities	36,481	39,276
	21,933,998	40,477,167
Less current portion of:		
Term loans	2,221,500	2,221,500
Vendor take-back loans	504,798	410,834
Finance lease liabilities	12,988	10,291
	2,739,286	2,642,625
	\$ 19,194,712	\$ 37,834,542

The Company is a party to an agreement with a syndicate of Canadian banks, which included the following components:

1. \$5,000,000 revolving credit facility to fund operating cash flow needs. As at November 30, 2016, the Company had not utilized this facility (August 31, 2016 - nil).
2. \$34,000,000 term acquisition credit facility to fund future acquisitions. As at November 30, 2016, nil (August 31, 2016 - \$17,984,955).
3. \$22,215,000 term credit facility installment loan which was used to refinance the acquisition facility balance outstanding under the previous agreement and fund acquisitions. As at November 30, 2016, the balance owing on this facility was equal to \$20,548,875 (August 31, 2016 - \$21,104,250).

The agreement provides for an option (the "Accordion Feature"), subject to the satisfaction of certain terms and conditions, to increase the term acquisition credit facility by an additional \$15,000,000 of capacity. The exercise of the option would result in the size of the term acquisition credit facility being increased to a maximum of \$49,000,000 and overall credit capacity being increased to a maximum of \$76,215,000.

The facility is secured by a general security agreement over the assets of the Company and its subsidiaries and is subject to covenants.

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11. Share capital:

(a) Authorized

The Company has authorized share capital of an unlimited number of common voting shares with no par value.

(b) Shares issued and outstanding

Shares issued and outstanding are as follows:

	Number of Common voting shares	Amount
Balance, August 31, 2015	44,958,383	\$ 39,029,883
Exercise of stock options	266,667	303,842
Balance, August 31, 2016	45,225,050	39,333,725
Private placement of shares	5,439,500	18,946,403
Exercise of stock options	65,000	47,424
Balance, November 30, 2016	50,729,550	\$ 58,327,552

On October 6, 2016, the Company closed a private placement offering of 5,439,500 shares at a price of \$3.70 per share, which included the exercise in full of the Underwriters' over-allotment option of 709,500 shares. The offering resulted in net proceeds of \$18,946,403 after share issuance and commission costs. In addition, the Company recorded a deferred tax asset of \$290,768 relating to share issuance and commission costs.

(c) Earnings per share

The following details the earnings per share, basic and diluted, calculations for the three months ended November 30, 2016 and November 30, 2015:

	November 30, 2016	November 30, 2015
Loss attributable to common shares (basic and diluted)	\$ (275,504)	\$ (149,075)
Weighted average number of common shares (basic)	48,534,088	44,958,383
Add: Dilutive effect of stock options	729,565	728,677
Weighted average number of common shares (diluted)	49,263,653	45,687,060
Loss per share (basic)	\$ (0.006)	\$ (0.003)
Loss per share (diluted)	\$ (0.006)	\$ (0.003)

The average market value of the Company's shares for the purposes of calculating the dilutive effect of share options was based on quoted market prices for the period during which the options were outstanding.

12. Share-based payments:

The Company's Security Based Compensation Plan allows for the issuance of stock options, tandem stock appreciation rights, restricted stock units and deferred stock units.

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Under the Security Based Compensation Plan, awards may be granted to any director, officer, employee or consultant of the Company or of any of its affiliates by the Company's Board of Directors. Subject to the adjustment provisions provided for in the Security Based Compensation Plan and the applicable rules and regulations of all regulatory authorities to which the Company is subject (including the TSX Venture Exchange), the aggregate number of common shares reserved for issuance pursuant to the Security Based Compensation Plan cannot exceed 5,986,222, which number takes into account the common shares that are available for issuance under the Company's Employee Share Purchase Plan ("ESPP") and the Security Based Compensation Plan.

(a) Employee share purchase plan

The Company has an ESPP whereby both employee and Company contributions are used to purchase shares on the open market for employees. The Company's contributions are expensed as incurred as there is no vesting period. Under the plan, the Company matches \$1 for every \$4 contributed by employee contributions of between 2% and 5% of annual base remuneration.

At November 30, 2016, there were 214 participants (November 30, 2015 – 214) in the plan. The total number of shares purchased during the three months ended November 30, 2016 on behalf of participants, including the Company contribution, was 65,210 shares (November 30, 2015 – 71,066 shares). During the three months ended November 30, 2016, the Company's matching contributions totalled 13,042 shares (November 30, 2015 – 14,218 shares).

For the three months ended November 30, 2016 the Company recorded an expense to recognize the matching contribution equal to \$53,487 (November 30, 2015 – \$59,797).

(b) Stock option plans

Options may be granted to directors, officers, employees and service providers of the Company on terms that the directors of the Company may determine within the limitations set forth in the Security Based Compensation Plan or former Stock Option Plan or by security regulators. Options shall not be granted for a term exceeding eight years under the terms of the Security Based Compensation Plan or five years under the terms of the former Stock Option Plan.

Changes in the number of options outstanding during the three months ended November 30, 2016 and November 30, 2015, were as follows:

	November 30, 2016		November 30, 2015	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Balance, beginning of period	1,504,897	\$ 2.08	1,107,679	\$ 1.12
Granted	30,173	3.99	200,340	3.59
Exercised	(65,000)	0.43	-	-
Balance, end of period	1,470,070	\$ 2.19	1,308,019	\$ 1.50
Options exercisable, end of period	673,218		708,330	

For the period ended November 30, 2016, the Company received proceeds equal to \$27,625 (2016 - nil) from the exercise of 65,000 (2016 - nil) options.

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Options outstanding at November 30, 2016 consisted of the following:

Range of exercise prices	Number outstanding	Remaining contractual life	Weighted average exercise price	Number exercisable
\$ 0.25 - \$ 0.50	225,000	0.29 years	\$ 0.41	225,000
\$ 0.51 - \$ 1.00	236,667	1.41 years	0.63	236,667
\$ 1.01 - \$ 2.00	125,000	2.21 years	1.71	83,330
\$ 2.01 - \$ 3.00	572,184	6.46 years	2.88	53,436
\$ 3.01 - \$ 4.00	297,187	7.11 years	3.58	70,109
\$ 4.01 - \$ 4.12	14,032	6.62 years	4.11	4,676
\$ 0.25 - \$ 4.12	1,470,070	4.22 years	\$ 2.19	673,218

For the three months ended November 30, 2016, the Company recorded an expense to recognize stock option compensation expense for options granted to employees and directors of the Company equal to \$103,468 (2015 - \$72,041).

(c) Performance-conditioned Restricted Stock Units (RSUs)

The Company has conditionally granted RSUs (payable in cash or shares of the Company's common stock at the discretion of the Board of Directors) to designated management employees, that may be earned at the end of a one-year performance period, based on each fiscal year ("the performance period"), subject to certain financial metrics for the performance period. In order to earn RSUs a minimum threshold must be achieved, with the maximum number of RSUs being earned upon achievement of the target. During the first three months ended November 30, 2016, the Company conditionally granted 170,423 RSUs related to the current fiscal year; the RSUs, if earned, are scheduled to vest on October 11, 2019, conditional upon continued employment with the Company until such date.

	November 30, 2016	
	Number of RSUs	Grant price \$
Balance, beginning of period	128,680	\$ 3.73
Granted	170,423	3.99
Forfeited and expired	(3,466)	4.11
Balance, end of period	295,637	\$ 3.88

For the three months ended November 30, 2016, the Company recorded an expense to recognize amortization of RSUs granted to employees and directors of the Company equal to \$83,208 (2015 - \$72,757).

(d) Deferred Stock Units ("DSUs")

Independent members of the Company's Board of Directors are paid a portion of their annual retainer in the form of DSUs, which vest on the date determined by the Board of Directors. They may also elect to receive up to 100% of their remaining cash remuneration in the form of DSUs. The underlying security of DSUs are the Company's common shares, which are valued based on their volume weighted average closing price for the ten trading days prior to the date on which the DSUs are granted. The DSUs will be settled by the issuance of common shares by the Company unless, subject to the consent of the Company, the Director elects to receive cash in lieu of common shares.

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	November 30, 2016
	Number of DSUs
Balance, beginning of period	26,442
Granted	15,036
Balance, end of period	41,478

For the three months ended November 30, 2016, the Company recorded an expense to recognize amortization of DSUs granted to directors of the Company equal to \$60,000 (2016 - \$100,000) for annual awards covering the 2017 fiscal year.

13. Finance expenses:

The Company's finance expenses for the three months ended November 30, 2016 and November 30, 2015 were comprised of the following:

	Note	November 30, 2016	November 30, 2015
Interest and finance costs on long-term debt	10	\$ 295,555	\$ 260,442
Other finance costs, net		3,980	37,262
Non-cash finance costs			
Accretion expense on vendor take-back loans and long-term liabilities	10	17,640	78,499
Accretion on contingent acquisition consideration	6	-	37,642
		17,640	116,141
Change in estimated fair value of non-controlling interest put option	9	1,531,456	879,798
		1,549,096	995,939
		\$ 1,848,631	\$ 1,293,643

Accretion expense on vendor take-back loans represents the implied interest cost related to non-interest bearing vendor take-back-loans initially recognized on a discounted basis (Note 10). Accretion on contingent acquisition consideration is a charge to the Company's net income in the prior period to recognize the change in discounted fair value of the contingent acquisition consideration liability (Note 6).

14. Financial instruments:

Fair value measurement

The Company's financial instruments measured at fair value through profit or loss include cash, contingent consideration, and non-controlling interest put options. The valuation techniques used to measure level 2 and level 3 financial instruments are described in the referenced notes.

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The following presents the Company's assets and liabilities measured at fair value on a recurring basis and categorized by hierarchy level:

	Note	(Quoted prices in an active market for identical assets) Level 1	(Significant other observable inputs) Level 2	(Significant other unobservable inputs) Level 3
August 31, 2016:				
Cash		\$ 14,369,959	\$ -	\$ -
Contingent acquisition consideration	6	-	-	1,308,793
Non-controlling interest put options	9	-	-	32,571,809
November 30, 2016				
Cash		\$ 10,468,044	\$ -	\$ -
Non-controlling interest put options	9	-	-	33,878,265

The carrying value of the Company's trade and other receivables, trade payables, accrued and other liabilities approximate their fair values due to the immediate or short term maturity of these instruments. The carrying value of the long term debt approximates its fair value as the interest rates are consistent with the current rates offered to the Company for debt with similar terms.

- Level 1** Unadjusted quoted prices in active markets for identical assets or liabilities. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Fair value through profit or loss financial instruments are measured at fair value using Level 1 inputs for cash and Level 3 inputs for non-controlling interest put options and contingent acquisition consideration.

15. Commitments and contingencies:

(a) Contractual obligations

The Company leases premises and various office equipment under agreements which expire on various dates up to August 2023. Future minimum lease payments as at November 30, 2016 are as follows:

Next 12 months	\$ 4,020,522
13 - 24 months	3,243,834
25 - 36 months	2,639,639
37 - 48 months	2,420,295
49 - 60 months	1,644,112
Thereafter	170,204
	\$ 14,138,606

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(b) Contingencies

In the ordinary course of operating the Company's business it may from time to time be subject to various claims or possible claims. Management is of the position that there are no claims or possible claims that if resolved would either individually or collectively result in a material adverse impact on the Company's financial position, results of operations, or cash flows. These matters are inherently uncertain and management's view of these matters may change in the future.

16. Related parties:

(a) Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Board of Directors and Officers are key management personnel. In addition to their salaries, the Company also provides non-cash benefits and participation in the Employee Share Purchase Plan (Note 12(a)) and Security Based Compensation Plan (Note 12(b)(c),(d)).

The following table details the compensation paid to key management personnel during the three months ended November 30, 2016 and 2015:

	November 30, 2016		November 30, 2015	
Salaries, fees and short-term employee benefits	\$	513,403	\$	406,776
Share-based payments		156,090		202,726
	\$	669,493	\$	609,502

(b) Key management personnel and director transactions

As at November 30, 2016, directors and key management personnel owned 17.11% (November 30, 2015 - 19.16%) of the voting shares of the Company.

As at November 30, 2016, the Company engaged in transactions with Directors and key management personnel of the Company. All the transactions were in the normal course of operations and are measured at the exchanged amount, which is the consideration agreed to by the parties.

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17. Expenses by nature:

The Company's expenses for the three months ended November 30, 2016 and November 30, 2015 were comprised of the following:

	November 30, 2016	November 30, 2015
Personnel and compensation	\$ 13,989,790	\$ 9,893,295
General and administrative	3,138,867	1,511,684
Occupancy	1,418,497	891,406
Administration fees	819,060	711,705
Public company costs	128,613	100,520
	19,494,827	13,108,610
Depreciation and amortization	1,922,574	1,854,073
Finance expenses	1,848,631	1,293,643
	\$ 23,266,032	\$ 16,256,326

The Company's operating expenses and acquisition, integration and reorganization costs, as reported on the statements of comprehensive income, for the three months ended November 30, 2016 and November 30, 2015 were comprised of the following:

	November 30, 2016	November 30, 2015
Operating expenses	\$ 19,234,490	\$ 12,895,242
Acquisition, integration and reorganization costs	260,337	213,368
	\$ 19,494,827	\$ 13,108,610

For the three months ended November 30, 2016 the Company incurred \$260,337 (2015 - \$213,368) of acquisition, integration and reorganization costs. Acquisition, integration and reorganization costs are comprised of professional fees and other non-recurring incremental costs incurred to secure and complete specific acquisitions, non-operating outlays associated with integrating acquired operations into the Company's business model subsequent to completion of an acquisition, and non-recurring outlays including consulting and recruiting fees and severance costs associated with reorganization of operations.

18. Comparative figures:

Certain prior period balances have been reclassified to conform with the current year presentation. These reclassifications do not affect prior period's net income.