

Condensed Consolidated Interim Financial Statements
(Expressed in Canadian Dollars)



Experience the Benefits of People

Three and six months ended February 28, 2017
(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 and six months ended February 28, 2017.

PEOPLE CORPORATION

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

	Note	February 28, 2017	August 31, 2016
Assets			
Current assets:			
Cash		\$ 10,438,272	\$ 14,369,959
Trade and other receivables		9,074,265	9,421,731
Income taxes receivable		1,012,603	782,602
Prepaid and other current assets		901,796	1,175,832
Total current assets		21,426,936	25,750,124
Non-current assets:			
Property and equipment	4	1,770,358	1,953,986
Goodwill and intangible assets	5	118,736,053	120,273,962
Deferred tax asset		1,555,886	1,228,840
Other non-current assets	13	1,044,110	-
Total non-current assets		123,106,407	123,456,788
Total assets		\$ 144,533,343	\$ 149,206,912
Liabilities and shareholders' equity			
Current liabilities:			
Trade payables, accrued and other liabilities	6	\$ 6,607,058	\$ 10,905,251
Deferred revenue		4,355,880	5,369,433
Current portion of loans and borrowings	9	3,275,363	2,642,625
Total current liabilities		14,238,301	18,917,309
Accrued and other liabilities	6	942,929	2,302,519
Non-controlling interest put options	8	32,985,224	32,571,809
Loans and borrowings	9	18,646,927	37,834,542
Deferred tax liability		12,203,756	12,895,873
Total liabilities		79,017,137	104,522,052
Shareholders' equity:			
Share capital	10	58,432,267	39,333,725
Contributed surplus		1,582,564	1,213,006
Retained earnings		5,501,375	4,138,129
Total shareholders' equity		65,516,206	44,684,860
Total liabilities and shareholders' equity		\$ 144,533,343	\$ 149,206,912

Commitments and contingencies (Note 14)

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

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

	Note	February 28, 2017		February 29, 2016	
		Three months ended	Six months ended	Three months ended	Six months ended
Revenue		\$ 25,602,466	\$ 48,947,193	\$ 18,336,632	\$ 34,651,525
Operating expenses	16	19,774,847	39,009,337	14,290,142	27,185,386
Depreciation and amortization	4,5	1,959,163	3,881,737	1,426,188	3,280,261
Finance expenses	12	607,167	2,455,798	1,069,558	2,363,198
Acquisition, integration and reorganization costs		502,150	762,488	724,665	938,033
	16	22,843,327	46,109,360	17,510,553	33,766,878
Income before income taxes		2,759,139	2,837,833	826,079	884,647
Income tax expense:					
Current		1,313,995	2,320,525	795,057	1,567,906
Deferred		(193,607)	(845,938)	11,227	(553,979)
		1,120,388	1,474,587	806,284	1,013,927
Net Income (loss)		\$ 1,638,751	\$ 1,363,246	\$ 19,795	\$ (129,280)
Earnings (Loss) per share	10(c)				
Basic		\$ 0.032	\$ 0.027	\$ -	\$ (0.003)
Diluted		\$ 0.032	\$ 0.027	\$ -	\$ (0.003)

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

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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		-	-	(129,280)	(129,280)
Acquisition-related Issuance of shares	10(b)	-	-	-	-
Exercise of stock options	10(b)	129,665	(54,165)	-	75,500
Share-based payments	11(b)(c)(d)	-	378,129	-	378,129
		129,665	323,964	(129,280)	324,349
Balance, February 29, 2016		\$ 39,159,548	\$ 1,060,548	\$ 4,183,643	\$ 44,403,739
Net income (loss) and comprehensive income for the period		-	-	(45,514)	(45,514)
Exercise of stock options		174,177	(63,310)	-	110,867
Share-based payments		-	215,768	-	215,768
		174,177	152,458	(45,514)	281,121
Balance, August 31, 2016		\$ 39,333,725	\$ 1,213,006	\$ 4,138,129	\$ 44,684,860
Net income and comprehensive income for the period		-	-	1,363,246	1,363,246
Issuance of common shares	10(b)	18,946,403	-	-	18,946,403
Exercise of stock options	10(b)	152,139	(60,571)	-	91,568
Share-based payments	11(b)(c)(d)	-	430,129	-	430,129
		19,098,542	369,558	1,363,246	20,831,346
Balance, February 28, 2017		\$ 58,432,267	\$ 1,582,564	\$ 5,501,375	\$ 65,516,206

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

		February 28, 2017		February 29, 2016	
	Note	Three months ended	Six months ended	Three months ended	Six months ended
Operating activities					
Net income (loss) for the period		\$ 1,638,751	\$ 1,363,246	\$ 19,795	\$ (129,280)
Adjustments for:					
Depreciation	4	223,904	417,241	101,761	425,565
Amortization of intangible assets	5	1,735,259	3,464,496	1,324,427	2,854,696
Share-based compensation	11(b)(c)(d)	183,452	430,128	133,331	378,129
Change in non-controlling interest put liability	8, 12	361,527	1,892,982	700,097	1,579,896
Accretive interest expense	12	12,383	30,023	62,780	178,920
Deferred income tax expense (recovery)		(193,607)	(845,938)	11,227	(553,979)
Net cash from operations		3,961,669	6,752,178	2,353,418	4,733,947
Change in the following:					
Trade and other receivables		(670,393)	347,467	549,872	813,145
Other current assets		261,577	274,036	(66,355)	(101,261)
Trade payables, accrued and other liabilities		339,775	(5,927,707)	512,099	(964,909)
Deferred revenue		(652,963)	(1,013,553)	(197,451)	(801,524)
Income taxes payable		(129,439)	(313,397)	122,846	435,975
Net cash from (used by) working capital items		(851,443)	(6,633,154)	921,011	(618,574)
Net cash from operating activities		3,110,226	119,024	3,274,429	4,115,373
Investing activities					
Acquisition of property and equipment	4	(101,103)	(233,618)	(101,622)	(331,861)
Acquisition of intangible assets	5	(785,660)	(1,754,087)	(748,051)	(1,136,140)
Net cash used by investing activities		(886,763)	(1,987,705)	(849,673)	(1,468,001)
Financing activities					
Proceeds from exercise of stock options		63,943	91,568	75,500	75,500
Outflows relating to loan advances	13	(1,044,110)	(1,044,110)	-	-
Proceeds from private placement of shares, net	10	-	18,946,403	-	-
Repayment of loans and borrowings		(18,501)	(18,577,300)	(979,912)	(1,099,131)
Payment of dividends on non-controlling interest	8	(803,663)	(1,028,663)	(450,000)	(450,000)
Payment of put options on non-controlling interest	8	(450,904)	(450,904)	-	-
Net cash from (used in) financing activities		(2,253,235)	(2,063,006)	(1,354,412)	(1,473,631)
Change in cash and cash equivalents		(29,772)	(3,931,687)	1,070,344	1,173,741
Cash and cash equivalents at beginning of the period		10,468,044	14,369,959	6,618,131	6,514,734
Cash and cash equivalents at the end of the period		\$ 10,438,272	\$ 10,438,272	\$ 7,688,475	\$ 7,688,475

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

PEOPLE CORPORATION

Notes to the Condensed Consolidated Interim Financial Statements
(Expressed in Canadian dollars) (unaudited)

For the three and six months ended February 28, 2017

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 and six months ended February 28, 2017 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 April 13, 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	19,072	24,024	190,522	-	233,618
Write down and disposal of assets	-	(2,668)	-	-	(2,668)
Balance, February 28, 2017	\$ 3,504,183	\$ 3,261,309	\$ 3,846,138	\$ 155,857	\$ 10,767,487
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	(164,329)	(82,393)	(157,692)	(12,827)	(417,241)
Write down and disposal of assets	-	2,663	-	-	2,663
Balance, February 28, 2017	\$ (2,830,836)	\$ (2,716,078)	\$ (3,367,045)	\$ (83,170)	\$ (8,997,129)
Carrying amounts					
Balance, August 31, 2016	\$ 818,604	\$ 603,605	\$ 446,263	\$ 85,514	\$ 1,953,986
Balance, February 28, 2017	\$ 673,347	\$ 545,231	\$ 479,093	\$ 72,687	\$ 1,770,358

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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	-	1,011,061	9,190	906,336	1,926,587
Balance, February 28, 2017	\$ 70,734,590	\$ 62,004,783	\$ 3,847,184	\$ 7,661,888	\$144,248,445
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	-	(2,940,788)	(164,515)	(359,193)	(3,464,496)
Balance, February 28, 2017	\$ -	\$ (16,658,433)	\$ (2,985,789)	\$ (5,868,170)	\$(25,512,392)
Carrying amounts					
Balance, August 31, 2016	\$ 70,734,590	\$ 47,276,077	\$ 1,016,720	\$ 1,246,575	\$120,273,962
Balance, February 28, 2017	\$ 70,734,590	\$ 45,346,350	\$ 861,395	\$ 1,793,718	\$118,736,053

6. Trade payables, accrued and other liabilities:

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

	February 28, 2017	August 31, 2016
Trade payables and other liabilities	\$ 6,554,476	\$ 10,852,669
Contingent acquisition consideration	-	1,308,793
Post-retirement benefits and other liabilities	995,511	1,046,308
	7,549,987	13,207,770
Less current portion of trade payables, accrued and other liabilities	6,607,058	10,905,251
Total non-current accrued and other liabilities	\$ 942,929	\$ 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 six months ended February 28, 2017 the Company recognized an adjustment to the fair value of the contingent consideration of nil (2016 - \$37,642).

7. 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.

	February 28, 2017	August 31, 2016
Payable to carriers and insured individuals or groups	\$ 59,582,422	\$ 46,034,450
Less related cash balances	59,582,422	46,034,450
	\$ -	\$ -

8. Non-controlling interest put options:

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

	Note	February 28, 2017	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	12	1,892,982	3,586,413
Less payment of dividends on non-controlling interest		(1,028,663)	(941,115)
Less non-controlling interest put options exercised		(450,904)	-
Balance, end of period		\$ 32,985,224	\$ 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.

(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.

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

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.

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. As at November 30, 2016, the Company's economic interest in Coughlin was 67.0%

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(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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9. Loans and borrowings:

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

	February 28, 2017	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 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.	195,256	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.	30,688	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.	1,113,819	1,090,098
Total vendor take-back loans	1,339,763	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%.	33,652	39,276
Total finance lease liabilities	33,652	39,276
	21,922,290	40,477,167
Less current portion of:		
Term loans	2,776,875	2,221,500
Vendor take-back loans	486,836	410,834
Finance lease liabilities	11,652	10,291
	3,275,363	2,642,625
	\$ 18,646,927	\$ 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 February 28, 2017, 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 February 28, 2017, 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 February 28, 2017, 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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10. 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	193,257	152,139
Balance, February 28, 2017	50,857,807	\$ 58,432,267

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 \$312,633 relating to share issuance and commission costs.

(c) Earnings per share

Basic earnings per share is calculated by dividing net income (loss) attributable to common shareholders by the weighted average number of common shares outstanding during the period.

Diluted earnings per share is calculated by dividing net income (loss) attributable to common shareholders by the weighted average number of common shares outstanding, adjusted for the potentially dilutive effect of the total number of additional common shares related to grants outstanding at February 28, 2017 that would have been issued by the Company under its stock option plans.

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The following details the earnings per share, basic and diluted, calculations for the three and six months ended February 28, 2017 and February 29, 2016:

	February 28, 2017		February 29, 2016	
	Three months ended	Six months ended	Three months ended	Six months ended
Net income (loss) attributable to common shares (basic and diluted)	\$ 1,638,751	\$ 1,363,246	\$ 19,795	\$ (129,280)
Weighted average number of common shares (basic)	50,826,625	49,674,024	45,007,943	44,983,163
Add: Dilutive effect of stock options	655,634	693,923	636,215	683,756
Weighted average number of common shares (diluted)	51,482,259	50,367,947	45,644,158	45,666,919
Earnings per share (basic)	\$ 0.032	\$ 0.027	\$ 0.000	\$ (0.003)
Earnings per share (diluted)	\$ 0.032	\$ 0.027	\$ 0.000	\$ (0.003)

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

11. 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.

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 February 28, 2017, there were 213 participants (February 29, 2016 – 211) in the plan. The total number of shares purchased during the three and six months ended February 28, 2017 on behalf of participants, including the Company contribution, was 60,880 and 126,090 shares (February 29, 2016 – 92,212 and 163,278 shares). During the three and six months ended February 28, 2017, the Company's matching contributions totalled 12,176 and 25,218 shares (February 29, 2016 – 18,442 and 32,660 shares).

For the three and six months ended February 28, 2017 the Company recorded an expense to recognize the matching contribution equal to \$54,234 and \$107,721 (February 29, 2016 – \$45,155 and \$85,561).

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(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 six months ended February 28, 2017 and February 29, 2016, were as follows:

	February 28, 2017		February 29, 2016	
	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	231,534	3.50
Exercised	(193,257)	0.47	(185,000)	0.41
Balance, end of period	1,341,813	\$ 2.35	1,154,213	\$ 1.71
Options exercisable, end of period	620,467		630,099	

For the three and six months ended February 28, 2017, the Company received proceeds equal to \$63,943 and \$91,568 (2016 - \$75,500 and \$75,500) from the exercise of 128,257 and 193,257 (2016 - 185,000 and 185,000) options. Related to these transactions, the Company transferred \$40,772 and \$60,571 (2016 - \$54,165 and \$54,165) from contributed surplus to share capital.

Options outstanding at February 28, 2017 consisted of the following:

Range of exercise prices	Number outstanding	Remaining contractual life	Weighted average exercise price	Number exercisable
\$ 0.25 - \$ 0.50	100,000	0.19 years	\$ 0.41	100,000
\$ 0.51 - \$ 1.00	236,667	1.16 years	0.63	236,667
\$ 1.01 - \$ 2.00	125,000	1.96 years	1.71	125,000
\$ 2.01 - \$ 3.00	572,184	6.22 years	2.88	87,272
\$ 3.01 - \$ 4.00	293,930	6.87 years	3.58	66,852
\$ 4.01 - \$ 4.12	14,032	6.37 years	4.11	4,676
\$ 0.25 - \$ 4.12	1,341,813	4.71 years	\$ 2.39	620,467

For the three and six months ended February 28, 2017, the Company recorded an expense to recognize stock option compensation expense for options granted to employees and directors of the Company equal to \$93,434 and \$196,902 (2016 - \$80,391 and \$152,432).

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(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.

For the three and six months ended February 28, 2017, the Company conditionally granted 18,634 and 189,057 RSUs related to the current fiscal year; the RSUs, if earned, are scheduled to vest on or after October 11, 2019, conditional upon continued employment with the Company until such date.

	February 28, 2017		February 29, 2016	
	Number of RSUs	Grant price \$	Number of RSUs	Grant price \$
Balance, beginning of period	128,680	\$ 3.73	38,568	\$ 4.11
Granted	189,057	3.93	110,724	3.59
Forfeited and expired	(3,466)	4.11	-	-
Balance, end of period	314,271	\$ 3.85	149,292	\$ 3.72

For the three and six months ended February 28, 2017, the Company recorded an expense to recognize amortization of RSUs granted to employees and directors of the Company equal to \$90,018 and \$173,226 (2016 - \$52,940 and \$125,697).

(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.

	February 28, 2017		February 29, 2016	
	Number of DSUs	Grant price \$	Number of DSUs	Grant price \$
Balance, beginning of period	26,442	\$ 3.78	9,730	\$ 4.11
Granted	15,036	3.99	16,712	3.59
Balance, end of period	41,478	\$ 3.86	26,442	\$ 3.78

For the three and six months ended February 28, 2017, the Company recorded an expense to recognize amortization of DSUs granted to directors of the Company equal to nil and \$60,000 (2016 - nil and \$100,000) for annual awards covering the 2017 fiscal year.

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12. Finance expenses:

The Company's finance expenses for the three and six months ended February 28, 2017 and February 29, 2016 were comprised of the following:

		February 28, 2017		February 29, 2016	
	Note	Three months ended	Six months ended	Three months ended	Six months ended
Interest and finance costs on long-term debt	9	\$ 231,176	\$ 526,731	\$ 298,712	\$ 559,154
Other finance costs, net		2,081	6,062	7,969	45,228
		233,257	532,793	306,681	604,382
Non-cash finance costs					
Accretion expense on vendor take-back loans	9	12,383	30,023	38,872	112,236
Accretion on contingent acquisition consideration		-	-	23,908	61,550
Accretion on post-retirement benefit liability		-	-	-	5,134
		12,383	30,023	62,780	178,920
Change in estimated fair value of non-controlling interest put option	8	361,527	1,892,982	700,097	1,579,896
		373,910	1,923,005	762,877	1,758,816
		\$ 607,167	\$ 2,455,798	\$ 1,069,558	\$ 2,363,198

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 9). 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).

13. 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	8	-	-	32,571,809
February 28, 2017				
Cash		\$ 10,438,272	\$ -	\$ -
Non-controlling interest put options	8	-	-	32,985,224
Other non-current assets		-	1,044,110	-

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. The carrying value of the other non-current assets, which include advances made to facilitate certain provisions pursuant to a previous acquisition, approximates its fair value as the interest rates are consistent with the current rates offered by the Company for loans 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.

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14. 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 February 28, 2017 are as follows:

Next 12 months	\$ 4,553,451
13 - 24 months	3,345,923
25 - 36 months	2,749,489
37 - 48 months	2,457,880
49 - 60 months	2,011,638
Thereafter	4,049,195
	\$ 19,167,576

(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.

15. 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 11(a)) and Security Based Compensation Plan (Note 11(b)(c),(d)).

The following table details the compensation paid to key management personnel during the three and six months ended February 28, 2017 and 2016:

	February 28, 2017		February 29, 2016	
	Three months ended	Six months ended	Three months ended	Six months ended
Salaries, fees and short-term employee benefits	\$ 521,716	\$ 1,037,198	\$ 493,398	\$ 900,166
Share-based payments	117,135	219,677	83,181	285,907
	\$ 638,851	\$ 1,256,875	\$ 576,579	\$ 1,186,073

(b) Key management personnel and director transactions

As at February 28, 2017, directors and key management personnel owned 17.21% (February 29, 2016 - 18.88%) of the voting shares of the Company.

As at February 28, 2017, the Company engaged in transactions with Directors and key management personnel of

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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.

16. Expenses by nature:

The Company's expenses for the three and six months ended February 28, 2017 and February 29, 2016 were comprised of the following:

	February 28, 2017		February 29, 2016	
	Three months ended	Six months ended	Three months ended	Six months ended
Personnel and compensation	\$ 15,000,517	\$ 29,130,404	\$ 10,647,253	\$ 20,540,549
General and administrative	2,907,952	5,906,556	2,602,709	4,114,395
Administration fees	841,037	1,660,097	725,196	1,436,900
Occupancy	1,389,783	2,808,448	908,028	1,799,434
Public company costs	137,708	266,320	131,621	232,141
	20,276,997	39,771,825	15,014,807	28,123,419
Depreciation and amortization	1,959,163	3,881,737	1,426,188	3,280,261
Finance expenses	607,167	2,455,798	1,069,558	2,363,198
	\$ 22,843,327	\$ 46,109,360	\$ 17,510,553	\$ 33,766,878

The Company's operating expenses and acquisition, integration and reorganization costs, as reported on the statement of comprehensive income, for the three and six months ended February 28, 2017 and February 29, 2016 were comprised of the following:

	February 28, 2017		February 29, 2016	
	Three months ended	Six months ended	Three months ended	Six months ended
Operating expenses	\$ 19,774,847	\$ 39,009,337	\$ 14,290,142	\$ 27,185,386
Acquisition, integration and reorganization costs	502,150	762,488	724,665	938,033
	\$ 20,276,997	\$ 39,771,825	\$ 15,014,807	\$ 28,123,419

For the three and six months ended February 28, 2017 the Company incurred \$502,150 and \$762,488 (2016 - \$724,665 and \$938,033) of acquisition, integration and reorganization costs. Acquisition costs are comprised of professional fees and other non-recurring incremental costs incurred to secure and complete specific acquisitions; integration costs are comprised of non-operating compensation and operating expenses associated with integrating acquired operations into the Company's business model subsequent to completion of an acquisition; and reorganization costs are comprised of non-recurring outlays including consulting, recruiting fees and severance costs associated with reorganization of operations.

17. 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.

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18. Subsequent events:

Subsequent to the end of the quarter, on April 12, 2017 the Company purchased 100% of the shares of Sirius Benefits Inc., a nationally-focused Third Party Administrator and Third Party Payor for group benefits plans, for a purchase price of \$15.0 million, subject to post-closing adjustments. The purchase price is comprised of a payment of \$13.5 million at closing and the \$1.5 million balance in the form of a vendor note to be repaid in installments on the first and second anniversaries of the closing. The closing purchase price was funded by a draw of \$13.5 million on the Company's expanded senior credit facility. The additional payments are expected to be paid from available cash resources on the anniversaries.