

Condensed Consolidated Interim Financial Statements
(Expressed in Canadian Dollars)



Three and nine months ended May 31, 2018 and 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 nine months ended May 31, 2018.

PEOPLE CORPORATION

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

	Note	May 31, 2018	August 31, 2017
Assets			
Current assets:			
Cash		\$ 20,637,412	\$ 17,933,832
Trade and other receivables		13,294,761	11,233,804
Income taxes receivable		1,055,090	843,724
Prepaid and other current assets		1,479,296	1,376,436
Total current assets		36,466,559	31,387,796
Non-current assets:			
Property and equipment	5	9,838,957	2,666,248
Goodwill and intangible assets	6	172,845,597	134,943,617
Loans receivable	7	1,870,443	954,974
Total non-current assets		184,554,997	138,564,839
Total assets		\$ 221,021,556	\$ 169,952,635
Liabilities and shareholders' equity			
Current liabilities:			
Trade payables, accrued and other liabilities	8	\$ 13,718,474	\$ 14,919,459
Deferred revenue		3,577,910	3,997,864
Current portion of loans and borrowings	11	6,848,691	3,627,518
Total current liabilities		24,145,075	22,544,841
Accrued and other liabilities	8	2,217,160	1,199,871
Non-controlling interest put options	10	35,660,367	34,059,108
Loans and borrowings	11	48,095,206	32,899,207
Deferred tax liability		12,723,480	10,878,605
Total liabilities		122,841,288	101,581,632
Shareholders' equity:			
Share capital	12	85,813,225	58,861,256
Contributed surplus		2,192,198	1,892,859
Retained earnings		10,174,845	7,616,888
Total shareholders' equity		98,180,268	68,371,003
Total liabilities and shareholders' equity		\$ 221,021,556	\$ 169,952,635

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 Income
(Expressed in Canadian dollars) (unaudited)

		May 31, 2018		May 31, 2017	
	Note	Three months ended	Nine months ended	Three months ended	Nine months ended
Revenue		\$ 33,254,010	\$ 94,238,603	\$ 27,965,806	\$ 76,912,999
Operating expenses	17	25,146,272	72,143,125	21,947,186	60,956,522
Depreciation and amortization	5,6	2,515,665	7,052,740	1,943,740	5,825,478
Finance expenses	14	1,619,299	5,461,710	730,711	3,186,509
Acquisition, integration and reorganization costs	17	1,418,947	3,692,391	1,024,787	1,787,275
	17	30,700,183	88,349,966	25,646,424	71,755,784
Income before income taxes		2,553,827	5,888,637	2,319,382	5,157,215
Income tax expense (recovery):					
Current		1,762,867	4,200,124	1,517,139	3,837,664
Deferred		(693,033)	(869,444)	(1,071,145)	(1,917,084)
		1,069,834	3,330,680	445,994	1,920,580
Net Income and Comprehensive Income		\$ 1,483,993	\$ 2,557,957	\$ 1,873,388	\$ 3,236,635
Earnings per share	12(c)				
Basic		\$ 0.027	\$ 0.048	\$ 0.037	\$ 0.065
Diluted		\$ 0.026	\$ 0.047	\$ 0.036	\$ 0.064

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

PEOPLE CORPORATION

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

	Note	Share Capital	Contributed Surplus	Retained Earnings	Total
Balance, August 31, 2016		\$ 39,333,725	\$ 1,213,006	\$ 4,138,129	\$ 44,684,860
Net income and comprehensive income for the period		-	-	3,236,635	3,236,635
Issuance of common shares	12(b)	18,946,403	-	-	18,946,403
Exercise of stock options	12(b)	268,495	(108,569)	-	159,926
Share-based payments	13(b)(c)(d)	-	613,913	-	613,913
		19,214,898	505,344	3,236,635	22,956,877
Balance, May 31, 2017		\$ 58,548,623	\$ 1,718,350	\$ 7,374,764	\$ 67,641,737
Net income and comprehensive income for the period		-	-	242,124	242,124
Issuance of common shares	12(b)	312,633	-	-	312,633
Share-based payments	13(b)(c)(d)	-	174,509	-	174,509
		312,633	174,509	242,124	729,266
Balance, August 31, 2017		\$ 58,861,256	\$ 1,892,859	\$ 7,616,888	\$ 68,371,003
Net income and comprehensive income for the period		-	-	2,557,957	2,557,957
Issuance of common shares	12(b)	24,252,189	-	-	24,252,189
Acquisition-related issuance of shares	12(b)	1,742,764	-	-	1,742,764
Settlement of restricted stock units	12(b)	63,031	(167,594)	-	(104,563)
Exercise of stock options	12(b)	893,985	(282,701)	-	611,284
Share-based payments	13(b)(c)(d)	-	749,634	-	749,634
		26,951,969	299,339	2,557,957	29,809,265
Balance, May 31, 2018		\$ 85,813,225	\$ 2,192,198	\$ 10,174,845	\$ 98,180,268

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

PEOPLE CORPORATION

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

		May 31, 2018		May 31, 2017	
	Note	Three months ended	Nine months ended	Three months ended	Nine months ended
Operating activities					
Net Income and comprehensive income for the period		\$ 1,483,993	\$ 2,557,957	\$ 1,873,388	\$ 3,236,635
Adjustments for:					
Depreciation	5	402,026	1,033,002	224,145	641,386
Amortization of intangible assets	6	2,113,639	6,019,738	1,719,596	5,184,092
Share-based compensation	13(b)(c)(d)	236,131	749,634	183,784	613,913
Impairment losses on property and equipment	5	-	37,814	-	-
Impairment losses on intangible assets	6	-	154,305	-	-
Change in non-controlling interest put liability	10, 14	1,318,957	4,055,756	330,842	2,223,824
Accretive interest expense	14	28,250	67,308	24,226	54,249
Deferred income tax expense (recovery)		(693,033)	(869,444)	(1,071,145)	(1,917,084)
Net cash from operations		4,889,963	13,806,070	3,284,836	10,037,015
Change in the following:					
Trade and other receivables		(1,400,383)	(1,820,966)	(3,471,758)	(3,124,291)
Prepaid and other current assets		(348,193)	(69,196)	(389,538)	(115,502)
Loans receivable		14,531	71,437	-	-
Trade payables, accrued and other liabilities		2,292,604	(2,482,451)	6,150,546	222,838
Deferred revenue		(771,335)	(505,797)	(26,999)	(1,040,552)
Income taxes receivable		(58,029)	(337,433)	(210,886)	(524,283)
Net cash from (used by) working capital items		(270,805)	(5,144,406)	2,051,365	(4,581,790)
Net cash from operating activities		4,619,158	8,661,664	5,336,201	5,455,225
Investing activities					
Acquisition of property and equipment	5	(1,572,509)	(8,204,084)	(161,892)	(395,510)
Acquisition of intangible assets	6	(527,754)	(1,699,253)	(466,177)	(2,220,264)
Business acquisitions, net of cash acquired	4	(13,252,400)	(26,336,981)	(15,876,473)	(15,876,473)
Net cash used by investing activities		(15,352,663)	(36,240,318)	(16,504,542)	(18,492,247)
Financing activities					
Proceeds from exercise of stock options	13(b)	169,114	611,284	68,358	159,926
Outflows from settlement of restricted stock units		-	(104,563)	-	-
Outflows relating to loan advances		-	(1,000,000)	-	(1,044,110)
Proceeds from private placement of shares, net	12(b)	-	23,873,246	-	18,946,403
Proceeds and repayment of loans and borrowings, net		12,355,213	9,356,764	15,435,590	(3,141,710)
Payment of dividends on non-controlling interest	10	(109,155)	(2,454,497)	(333,445)	(1,362,108)
Payment of put options on non-controlling interest	10	-	-	-	(450,904)
Net cash from (used in) financing activities		12,415,172	30,282,234	15,170,503	13,107,497
Change in cash and cash equivalents		1,681,667	2,703,580	4,002,162	70,475
Cash and cash equivalents at beginning of the period		18,955,745	17,933,832	10,438,272	14,369,959
Cash and cash equivalents at the end of the period		\$ 20,637,412	\$ 20,637,412	\$ 14,440,434	\$ 14,440,434

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 nine months ended May 31, 2018 and 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 corporate office is 1403 Kenaston Boulevard, 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 nine months ended May 31, 2018 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, 2017 prepared in accordance with IFRS.

These condensed consolidated interim financial statements were approved by the Board of Directors and authorized for issue on July 19, 2018.

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, 2017.

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

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

The Company is currently evaluating the impact of adopting IFRS 15 on its consolidated financial statements and the extent of the impact of adoption of the standard has not yet been determined. The Company has developed an implementation plan, and the revenue arrangements and performance obligations in scope of IFRS 15 have been identified and analysis is in progress. The next steps will involve completing the analysis, assessing any potential impact to IT systems and processes and reviewing additional disclosures required under the new standard. IFRS 15 can be applied using one of the following two methods: i) retrospectively to each prior reporting period or ii) retrospectively with the cumulative effect of initially applying IFRS 15 recognized at the date of initial application. The Company has not yet determined which transition method it will use under IFRS 15.

4. Business acquisitions:

During the period the company acquired the following businesses:

Effective May 23, 2018, the Company acquired all of the issued and outstanding shares of Lane Quinn Benefit Consultants Ltd. ("Lane Quinn"), one of the leading group benefits consulting firms in the Alberta market.

Effective February 1, 2018, the Company acquired specific assets, liabilities and business operations of Rockwater Benefits Company ("Rockwater"), an established group retirement and group benefits insurance advisory practise based in Ontario.

PEOPLE CORPORATION

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

For the three and nine months ended May 31, 2018 and 2017

Effective December 1, 2017, the Company acquired specific assets, liabilities and business operations of Assurances Dalbec Ltée ("Dalbec"), a Third Party Administrator (TPA) and Third Party Payor (TPP) service provider for employee benefit plans of small and medium-sized companies in the Québec market.

These acquisitions enable the Company to continue execution of its growth strategy and expansion of its national presence.

The Company accounted for these transactions as a business combination and has applied the acquisition method of accounting in accordance with IFRS 3. The recognized amounts of assets acquired and liabilities assumed in the transactions and the acquisition date fair value of the total consideration paid or payable are as follows:

	Dalbec	Rockwater	Lane Quinn	Total
Assets acquired and liabilities assumed				
Goodwill (including assembled goodwill)	\$ 7,641,348	\$ 1,225,773	\$ 12,133,357	\$ 21,000,478
Customer relationships and other intangible assets	8,692,126	1,726,966	10,957,200	21,376,292
Property and equipment	-	-	39,441	39,441
Deferred tax liabilities	-	-	(3,086,718)	(3,086,718)
Net working capital	(152,180)	-	(655,441)	(807,621)
	16,181,294	2,952,739	19,387,839	38,521,872
Consideration paid or payable				
Cash payment on closing	11,270,000	2,000,000	14,000,000	27,270,000
Cash received on closing for negative working capital	(185,419)	-	-	(185,419)
Working capital adjustment due to / (from) vendors	33,239	-	(445,922)	(412,683)
Vendor take-back notes payable	4,527,804	952,739	3,559,206	9,039,749
Contingent consideration payable	535,670	-	784,073	1,319,743
Common shares issued by the Company	-	-	1,750,757	1,750,757
Promissory note and other related party balances	-	-	(260,275)	(260,275)
	16,181,294	2,952,739	19,387,839	38,521,872

Total consideration paid for the acquisition of Lane Quinn, during the period, is subject to final adjustments for working capital. Vendor take-back notes payable are subject to clawback adjustments tied to achievement of certain financial metrics. The fair values of the net identifiable assets were determined provisionally at May 31, 2018.

A part of the goodwill recorded on the acquisitions can be attributed to the assembled workforce and the operating know-how of key personnel. However, no intangible assets qualified for separate recognition in this respect.

The Company's condensed consolidated interim statements of comprehensive income include the results of operations for Dalbec, Rockwater, and Lane Quinn from their dates of acquisition to May 31, 2018.

PEOPLE CORPORATION

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

For the three and nine months ended May 31, 2018 and 2017

	May 31, 2018	
	As reported	Pro forma of the Company
Operating revenues		
Dalbec	3,189,177	4,829,427
Rockwater	167,004	444,991
Lane Quinn	149,918	4,403,836
Net income and comprehensive income		
Dalbec	1,265,898	1,807,023
Rockwater	60,474	178,843
Lane Quinn	58,455	1,717,110

Pro forma balances represent management's estimates of consolidated revenue and consolidated net income as if the acquisitions had been completed on September 1, 2017. For the purposes of these pro forma balances, comprehensive income is equal to net income. Acquisition-related costs amounting to \$504,649 (2017 - \$846,118) are not included as part of the consideration transferred and have been recognized as acquisition, integration and reorganization costs in the condensed consolidated interim statements of comprehensive income.

5. Property and equipment:

The Company had the following property and equipment:

	Leasehold improvements	Furniture & fixtures	Computer equipment	Automobiles	Total
Cost					
Balance, August 31, 2016	\$ 1,959,420	\$ 2,450,310	\$ 2,712,087	\$ 119,181	\$ 7,240,998
Additions	1,054,946	86,309	344,059	-	1,485,314
Write down and disposal	-	(2,668)	-	-	(2,668)
Acquisition through business combination	-	69,138	94,148	-	163,286
Balance, August 31, 2017	3,014,366	2,603,089	3,150,294	119,181	8,886,930
Additions	5,795,302	1,995,784	412,998	-	8,204,084
Write down and disposal	(1,153,021)	(433,710)	(608,630)	(71,615)	(2,266,976)
Acquisition through business combination	3,839	33,995	1,607	-	39,441
Balance, May 31, 2018	\$ 7,660,486	\$ 4,199,158	\$ 2,956,269	\$ 47,566	\$ 14,863,479

PEOPLE CORPORATION

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

For the three and nine months ended May 31, 2018 and 2017

Depreciation

Balance, August 31, 2016	\$ (1,140,816)	\$ (1,846,705)	\$ (2,265,824)	\$ (33,667)	\$ (5,287,012)
Depreciation for the period	(398,234)	(176,958)	(335,487)	(25,654)	(936,333)
Write down and disposal	-	2,663	-	-	2,663
Balance, August 31, 2017	(1,539,050)	(2,021,000)	(2,601,311)	(59,321)	(6,220,682)
Depreciation for the period	(517,775)	(248,663)	(256,505)	(10,059)	(1,033,002)
Write down and disposal	1,153,013	425,732	608,630	41,787	2,229,162
Balance, May 31, 2018	\$ (903,812)	\$ (1,843,931)	\$ (2,249,186)	\$ (27,593)	\$ (5,024,522)

Carrying amounts

Balance, August 31, 2017	\$ 1,475,316	\$ 582,089	\$ 548,983	\$ 59,860	\$ 2,666,248
Balance, May 31, 2018	\$ 6,756,674	\$ 2,355,227	\$ 707,083	\$ 19,973	\$ 9,838,957

During the nine months ended May 31, 2018, the Company wrote off property and equipment with an original cost of \$2,266,976 and a net book value of \$37,814 primarily in connection with the move to the Company's new head office building.

6. 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, 2016	\$ 70,734,590	\$ 60,993,722	\$ 3,837,994	\$ 3,665,216	\$139,231,522
Additions	-	1,090,049	42,006	1,817,147	2,949,202
Acquisition through business combination	8,999,592	10,164,876	-	70,998	19,235,466
Balance, August 31, 2017	79,734,182	72,248,647	3,880,000	5,553,361	161,416,190
Additions	-	228,696	80,262	1,390,295	1,699,253
Write down and disposal	-	(154,200)	-	(290,783)	(444,983)
Acquisition through business combination	21,000,478	21,376,292	-	-	42,376,770
Balance, May 31, 2018	\$100,734,660	\$ 93,699,435	\$ 3,960,262	\$ 6,652,873	\$205,047,230

Amortization

Balance, August 31, 2016	\$ -	\$ (13,717,645)	\$ (2,821,274)	\$ (2,418,641)	\$ (18,957,560)
Amortization for the period	-	(6,248,644)	(474,355)	(792,014)	(7,515,013)
Balance, August 31, 2017	-	(19,966,289)	(3,295,629)	(3,210,655)	(26,472,573)
Amortization for the period	-	(5,270,923)	(61,522)	(687,293)	(6,019,738)
Write down and disposal	-	-	-	290,678	290,678
Balance, May 31, 2018	\$ -	\$ (25,237,212)	\$ (3,357,151)	\$ (3,607,270)	\$ (32,201,633)

PEOPLE CORPORATION

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

For the three and nine months ended May 31, 2018 and 2017

Carrying amounts

Balance, August 31, 2017	\$ 79,734,182	\$ 52,282,358	\$ 584,371	\$ 2,342,706	\$134,943,617
Balance, May 31, 2018	\$100,734,660	\$ 68,462,223	\$ 603,111	\$ 3,045,603	\$172,845,597

During the nine months ended May 31, 2018, the Company wrote off computer software with an original cost of \$290,783 and a net book value of \$105 in connection with the move to the Company's new head office building.

Included in computer software additions is \$1,220,744 (2017 - \$1,168,753) of internally developed assets.

7. Loans receivable:

The Company had the following loans receivable:

	May 31, 2018	August 31, 2017
Loans receivable	\$ 2,044,110	\$ 1,044,110
Less current portion of loans receivable	(173,667)	(89,136)
Total non-current loans receivable	\$ 1,870,443	\$ 954,974

The Company made an interest-bearing loan to facilitate the transfer of certain economic interest through the ongoing right to earn performance-based commissions and fees and ownership of non-voting, non-dividend earning special shares in a subsidiary.

During the period, the Company entered into an agreement with an employee in which it provided a \$1,000,000 interest-bearing loan forgivable over ten years subject to certain conditions. In addition, the agreement provides for future additional advances subject to certain conditions.

8. Trade payables, accrued and other liabilities:

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

	May 31, 2018	August 31, 2017
Trade payables and other liabilities	\$ 13,209,139	\$ 14,487,049
Provision for onerous contracts	1,019,118	1,277,904
Post-retirement benefits and deferred earn-out obligations	1,707,377	354,376
	15,935,634	16,119,329
Less current portion of trade payables, accrued and other liabilities	13,718,474	14,919,459
Total non-current accrued and other liabilities	\$ 2,217,160	\$ 1,199,871

PEOPLE CORPORATION

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

For the three and nine months ended May 31, 2018 and 2017

9. 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 statement of financial position. The Company has the following amounts held in accounts segregated from the Company's operating funds for insurance premium liabilities.

	May 31, 2018	August 31, 2017
Payable to carriers and insured individuals or groups	\$ 71,949,775	\$ 62,010,813
Less related cash balances	71,949,775	62,010,813
	\$ -	\$ -

10. Non-controlling interest put options:

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

	Note	May 31, 2018	August 31, 2017
Balance, beginning of period		\$ 34,059,108	\$ 32,571,809
Change in estimated fair value	14	4,055,756	3,617,211
Less payment of dividends on non-controlling interest		(2,454,497)	(1,679,008)
Less non-controlling interest put options exercised		-	(450,904)
Balance, end of period		\$ 35,660,367	\$ 34,059,108

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"). Effective September 1, 2017, the BPA Principals held a 16.2% (2016 - 10.2%) of aggregate BPA Retained Economic Interest. The remaining 16.8% of BPA Share Options will vest evenly on an annual basis over the next three years.

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. 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 the Company Shares to the extent of a specified earnings amount. BPA dividend entitlements are paid in arrears on a quarterly basis.

PEOPLE CORPORATION

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

For the three and nine months ended May 31, 2018 and 2017

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 Principals 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. Effective September 1, 2017, the Company's economic interest in Coughlin was 67.0% (2016 - 66%).

PEOPLE CORPORATION

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

For the three and nine months ended May 31, 2018 and 2017

(iii) H+P

In connection with the acquisition of H+P on July 9, 2013, 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 was three years from the effective date of the agreement, and is exercisable at any time by the non-controlling shareholder(s), subject to certain terms and conditions.

The agreement also includes a provision for contingent consideration payable to the vendors if the growth of contractually-defined EBITDA exceeds certain thresholds during the first five years following the close of the transaction.

(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, and is 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. As no non-controlling put options were exercised and unsettled as at May 31, 2018, the Company had no specific contractual cash flows payable.

Significant unobservable inputs assumptions include: (i) put option exercises over periods ranging from 6 to 60 months; (ii) Contractually-defined *EBITDA* of BPA, Coughlin, H+P and Bencom before considering the retained economic interest attributable the respective vendors generated ("Put EBITDA") as at May 31, 2018 equal to \$20.8 million; (iii) growth rates applied to Put EBITDA ranging from 1.2% to 11.9% annually based on historical results; and (iv) discount rate of 16%. An increase in the Put EBITDA would result in an increase to the liability associated with the non-controlling put options. A 1% change in the discount rate would decrease or increase the liability associated with the non-controlling put options by \$0.9 million.

PEOPLE CORPORATION

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

For the three and nine months ended May 31, 2018 and 2017

11. Loans and borrowings:

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

	May 31, 2018	August 31, 2017
Term and revolving credit facility		
(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.	\$ 18,484,546	\$ 18,882,750
(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, 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.	\$ 9,024,000	\$ -
(c) 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.	\$ 16,000,000	\$ 14,500,000
Total term and revolving credit facility	43,508,546	33,382,750
Vendor take-back loans		
(d) 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 was repaid on March 12, 2018.	-	99,040
(e) A vendor take-back loan bearing no interest per annum, unsecured, payable in two annual installments of \$750,000. The amortized cost of the loan has been discounted using a rate of 2.56%. The loan matures on April 12, 2019.	734,166	1,459,912
(f) A vendor take-back loan bearing no interest per annum, unsecured, payable in two payments: \$325,000 in the first year and \$425,180 in the second year. The amortized cost of the loan has been discounted using a rate of 2.56%. The loan matures on July 31, 2019.	736,327	722,366

PEOPLE CORPORATION

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

For the three and nine months ended May 31, 2018 and 2017

(g) 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.	862,009	834,762
(h) A vendor take-back loan bearing no interest per annum, unsecured, payable in two payments of \$575,000 and \$425,000 on the date that is 15 and 27 months following acquisition date, respectively. The amortized cost of the loan has been discounted using a rate of 2.90%. The loan matures on May 31, 2020.	959,663	-
(i) A vendor take-back loan bearing no interest per annum, secured by the assets of the Company, payable in three annual installments of \$1,600,000. The amortized cost of the loan has been discounted using a rate of 2.90%. The loan matures on February 28, 2021.	4,564,034	-
(j) A vendor take-back loan bearing no interest per annum, unsecured, payable in two annual installments of \$2,125,000. The amortized cost of the loan has been discounted using a rate of 4.75%. The loan matures on August 31, 2020.	3,559,206	-
Total vendor take-back loans	11,415,405	3,116,080
Finance lease liabilities		
(k) 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%.	19,946	27,895
Total finance lease liabilities	19,946	27,895
	54,943,897	36,526,725
Less current portion of:		
Term loans	3,489,650	2,221,500
Vendor take-back loans	3,346,684	1,394,089
Finance lease liabilities	12,357	11,929
	6,848,691	3,627,518
	\$ 48,095,206	\$ 32,899,207

PEOPLE CORPORATION

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

For the three and nine months ended May 31, 2018 and 2017

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 May 31, 2018, the Company had not utilized this facility (August 31, 2017 - nil).
2. \$19,500,000 term credit facility installment loan which was used to refinance the acquisition facility balance outstanding under the previous agreement and fund acquisitions. As at May 31, 2018, the balance owing on this facility was equal to \$18,484,546 (August 31, 2017 - \$18,882,750).
3. \$48,800,000 term acquisition credit facility to fund future acquisitions. As at May 31, 2018, \$16,000,000 (August 31, 2017 - \$14,500,000) was drawn down on the credit facility in connection with the acquisitions of Rockwater and Lane Quinn.
4. \$9,500,000 delayed draw term credit facility to fund leasehold improvements at the Company's head office. As at May 31, 2018, the balance owing on this facility was equal to \$9,024,000 (August 31, 2017 - \$nil).

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 \$82,800,000 and overall credit capacity being increased to a maximum of \$97,800,000.

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

PEOPLE CORPORATION

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

For the three and nine months ended May 31, 2018 and 2017

12. 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, 2016	45,225,050	\$ 39,333,725
Private placement of shares	5,439,500	19,259,036
Exercise of stock options	336,590	268,495
Balance, August 31, 2017	51,001,140	58,861,256
Private placement of shares	3,776,600	24,252,189
Acquisition-related issuance of shares	235,001	1,742,764
Exercise of stock options	375,975	893,985
Settlement of restricted stock units	15,336	63,031
Balance, May 31, 2018	55,404,052	\$ 85,813,225

On November 22, 2017, the Company closed a private placement offering of 3,776,600 shares at a price of \$6.70 per share, for gross proceeds of \$25,303,220. The offering resulted in net proceeds of \$24,252,189 after share issuance and commission costs, including a deferred tax asset of \$378,943 relating to share issuance and commission costs.

On October 6, 2016, the Company closed a private placement offering of 5,439,500 shares at a price of \$3.70 per share, for gross proceeds of \$20,126,150. The offering resulted in net proceeds of \$19,259,036 after share issuance and commission costs, including a deferred tax asset of \$312,633 relating to share issuance and commission costs.

In connection with the acquisition of Lane Quinn, the Company issued 235,001 common shares to the vendors for an aggregate value of \$1,742,764 net of issuance costs.

(c) Earnings per share

Basic earnings per share is calculated by dividing net income and comprehensive income 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 and comprehensive income 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 May 31, 2018 that would have been issued by the Company under its Security Based Compensation Plan.

PEOPLE CORPORATION

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

For the three and nine months ended May 31, 2018 and 2017

The following details the earnings per share, basic and diluted, calculations for the three and nine months ended May 31, 2018 and February 28, 2017.

	May 31, 2018		May 31, 2017	
	Three months ended	Nine months ended	Three months ended	Nine months ended
Net Income and comprehensive income attributable to common shares (basic and diluted)	\$ 1,483,993	\$ 2,557,957	\$ 1,873,388	\$ 3,236,635
Weighted average number of common shares (basic)	55,114,340	53,805,663	50,917,100	50,092,936
Add: Dilutive effect of stock options	1,073,437	1,184,222	690,827	695,915
Weighted average number of common shares (diluted)	56,187,777	54,989,885	51,607,927	50,788,851
Earnings per share (basic)	\$ 0.027	\$ 0.048	\$ 0.037	\$ 0.065
Earnings per share (diluted)	\$ 0.026	\$ 0.047	\$ 0.036	\$ 0.064

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.

13. Share-based payments:

The Company's Security Based Compensation Plan allows for the issuance of stock options, 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 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 May 31, 2018, there were 333 participants (May 31, 2017 – 268) in the plan. The total number of shares purchased during the three and nine months ended May 31, 2018 on behalf of participants, including the Company contribution, was 53,063 and 166,922 shares (May 31, 2017 – 59,810 and 185,900 shares). During the three and nine months ended May 31, 2018, the Company's matching contributions totaled 10,613 and 33,385 shares (May 31, 2017 – 11,962 and 37,180 shares).

For the three and nine months ended May 31, 2018 the Company recorded an expense to recognize the matching contribution equal to \$77,620 and \$234,589 (May 31, 2017 – \$60,912 and \$168,633).

PEOPLE CORPORATION

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

For the three and nine months ended May 31, 2018 and 2017

(b) Stock option plans

Stock 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 nine months ended May 31, 2018 and 2017, were as follows:

	May 31, 2018		May 31, 2017	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Balance, beginning of period	1,298,480	\$ 2.73	1,504,897	\$ 2.08
Granted	54,847	7.20	130,173	4.37
Exercised	(375,975)	1.63	(336,590)	0.48
Forfeited and expired	(3,466)	2.94	-	-
Balance, end of period	973,886	\$ 3.40	1,298,480	\$ 2.72
Options exercisable, end of period	454,185		577,360	

For the three and nine months ended May 31, 2018, the Company received proceeds equal to \$169,114 and \$611,284 (2017 - \$68,358 and \$159,926) from the exercise of 170,266 and 375,975 (2017 - 143,333 and 336,590) options. Related to these transactions, the Company transferred \$101,657 and \$282,701 (2017 - \$47,997 and \$108,569) from contributed surplus to share capital.

Options outstanding at May 31, 2018 consisted of the following:

Range of exercise prices	Number outstanding	Remaining contractual life	Weighted average exercise price	Number exercisable
\$ 1.01 - \$ 2.00	84,000	0.71 years	1.70	84,000
\$ 2.01 - \$ 3.00	446,295	4.88 years	2.88	190,804
\$ 3.01 - \$ 4.00	274,712	5.61 years	3.59	150,028
\$ 4.01 - \$ 5.00	114,032	6.59 years	4.43	29,353
\$ 7.01 - \$ 7.34	54,847	7.49 years	7.20	-
\$ 0.51 - \$ 7.34	973,886	5.07 years	\$ 3.40	454,185

For the three and nine months ended May 31, 2018, the Company recorded an expense to recognize stock option compensation expense for options granted to employees and directors of the Company equal to \$60,549 and \$203,585 (2017 - \$76,868 and \$273,770).

PEOPLE CORPORATION

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

For the three and nine months ended May 31, 2018 and 2017

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

The Company conditionally grants 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 nine months ended May 31, 2018, the Company conditionally granted 692 and 151,449 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.

Changes in the number of RSUs outstanding during the nine months ended May 31, 2018 and May 31, 2017, were as follows:

	May 31, 2018		May 31, 2017	
	Number of RSUs	Grant price \$	Number of RSUs	Grant price \$
Balance, beginning of period	325,156	\$ 3.87	128,680	\$ 3.73
Granted	151,449	6.60	189,057	3.93
Settled	(31,203)	4.11	-	-
Forfeited	(2,407)	6.59	(3,466)	4.11
Balance, end of period	442,995	\$ 4.77	314,271	\$ 3.85

The fair value of RSU's awarded is determined at grant date calculated based on the closing price of the Company's common shares for the ten business days preceding grant date and the related stock compensation expense is recognized over the vesting period which is the period over which all of the specified vesting conditions are satisfied. The number of RSUs awarded is determined based on the fair market value of those RSUs on the date credited.

For the three and nine months ended May 31, 2018, the Company recorded an expense to recognize amortization of RSUs granted to employees and directors of the Company equal to \$175,583 and \$446,699 (2017 - \$106,916 and \$280,143).

On January 8, 2018, the Company settled 31,203 fully vested RSUs and recorded a fair value adjustment of \$39,351 (2017 - \$nil) to recognize the incremental stock compensation expense incurred to net settle the RSUs.

PEOPLE CORPORATION

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

For the three and nine months ended May 31, 2018 and 2017

(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. 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.

Changes in the number of DSUs outstanding during the nine months ended May 31, 2018 and May 31, 2017, were as follows:

	May 31, 2018		May 31, 2017	
	Number of DSUs	Grant price \$	Number of DSUs	Grant price \$
Balance, beginning of period	41,478	\$ 3.86	26,442	\$ 3.78
Granted	9,104	6.59	15,036	3.99
Balance, end of period	50,582	\$ 4.35	41,478	\$ 3.86

The fair value of DSU's awarded is determined at grant date calculated with reference to the closing price of the Company's common shares for the ten business days preceding grant date and the related stock compensation expense is recognized over the vesting period which is the period over which all of the specified vesting conditions are satisfied, if any. The number of DSUs awarded is determined based on the fair market value of those DSUs on the date credited.

For the three and nine months ended May 31, 2018, the Company recorded an expense to recognize amortization of DSUs granted to directors of the Company equal to \$nil and \$60,000 (2017 - \$nil and \$60,000) for annual awards covering the 2018 fiscal year.

For the three and nine months ended May 31, 2018 the Company recorded non-cash expense to recognize Stock Option, RSU and DSU grants to employees and directors of the Company equal to \$236,131 and \$749,634 (2017 - \$183,784 and \$613,913).

PEOPLE CORPORATION

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

For the three and nine months ended May 31, 2018 and 2017

14. Finance expenses:

The Company's finance expenses for the three and nine months ended May 31, 2018 and May 31, 2017 were comprised of the following:

		May 31, 2018		May 31, 2017	
	Note	Three months ended	Nine months ended	Three months ended	Nine months ended
Interest and finance costs on long-term debt	11	\$ 286,316	\$ 1,194,354	\$ 355,977	\$ 881,838
Other finance costs, net		(14,224)	144,292	19,666	26,598
Non-cash finance costs					
Accretion expense on vendor take-back loans and long term liabilities	11	28,250	67,308	24,226	54,249
Change in estimated fair value of non-controlling interest put option	10	1,318,957	4,055,756	330,842	2,223,824
		1,347,207	4,123,064	355,068	2,278,073
		\$ 1,619,299	\$ 5,461,710	\$ 730,711	\$ 3,186,509

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 11).

15. Commitments and contingencies:

(a) Contractual obligations

The Company leases premises and various office equipment under agreements which expire on various dates up to December 2027. Future minimum lease payments as at May 31, 2018 are as follows:

Next 12 months	\$ 4,887,149
13 - 24 months	4,298,400
25 - 36 months	3,855,448
37 - 48 months	3,266,615
49 - 60 months	2,834,964
Thereafter	5,359,208
	\$ 24,501,784

(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's view is 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.

PEOPLE CORPORATION

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

For the three and nine months ended May 31, 2018 and 2017

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 compensation paid or payable, the Company also provides non-cash benefits and participation in the Employee Share Purchase Plan (Note 13(a)) and Security Based Compensation Plan (Note 13(b)(c),(d)).

The following table details the compensation paid to key management personnel during the three and nine months ended May 31, 2018 and 2017:

	May 31, 2018		May 31, 2017	
	Three months ended	Nine months ended	Three months ended	Nine months ended
Salaries, fees and short-term employee benefits	\$ 561,244	\$ 1,869,503	\$ 538,511	\$ 1,576,130
Share-based payments	121,429	459,157	115,528	388,754
	\$ 682,673	\$ 2,328,660	\$ 654,039	\$ 1,964,884

(b) Key management personnel and director transactions

As at May 31, 2018, directors and key management personnel owned 16.31% (May 31, 2017 - 17.61%) of the voting shares of the Company.

During the three and nine months ended May 31, 2018 and May 31, 2017, all transactions entered into by the Company with Directors and key management personnel of the Company were in the normal course of operations and are measured at the exchanged amount, which is the consideration agreed to by the parties.

PEOPLE CORPORATION

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

For the three and nine months ended May 31, 2018 and 2017

17. Expenses by nature:

The Company's expenses for the three and nine months ended May 31, 2018 and May 31, 2017 were comprised of the following:

	May 31, 2018		May 31, 2017	
	Three months ended	Nine months ended	Three months ended	Nine months ended
Personnel and compensation	\$ 19,956,257	\$ 56,727,863	\$ 16,733,535	\$ 45,846,787
General and administrative	3,842,890	11,478,586	3,745,989	9,652,543
Administration fees	1,274,073	3,164,534	967,209	2,644,458
Occupancy	1,430,682	4,178,480	1,446,213	4,329,834
Public company costs	61,317	286,053	79,027	270,175
	26,565,219	75,835,516	22,971,973	62,743,797
Depreciation and amortization	2,515,665	7,052,740	1,943,740	5,825,478
Finance expenses	1,619,299	5,461,710	730,711	3,186,509
	\$ 30,700,183	\$ 88,349,966	\$ 25,646,424	\$ 71,755,784

The Company's operating expenses and acquisition, integration and reorganization costs, as reported on the statement of comprehensive income, for the three and nine months ended May 31, 2018 and May 31, 2017 were comprised of the following:

	May 31, 2018		May 31, 2017	
	Three months ended	Nine months ended	Three months ended	Nine months ended
Operating expenses	\$ 25,146,272	\$ 72,143,125	\$ 21,947,186	\$ 60,956,522
Acquisition, integration and reorganization costs	1,418,947	3,692,391	1,024,787	1,787,275
	\$ 26,565,219	\$ 75,835,516	\$ 22,971,973	\$ 62,743,797

For the three and nine months ended May 31, 2018 the Company incurred \$1,418,947 and \$3,692,391 (2017 - \$1,024,787 and \$1,787,275) 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.