Court File No.

IN THE SUPREME COURT OF BRITISH COLUMBIA
IN BANKRUPTCY AND INSOLVENCY

BETWEEN:

CIBT Finance (2017) Corp.

Applicant

and

KGIC Inc. and

674143 B.C. Ltd., Cornerstone Academic College of ESL, Teacher Training and Testing Preparation Inc., Cornerstone Language School Ltd., KGIC Business College (2010) Corp., KGIC Business College (BC) Corp., KGIC Language College (2010) Corp., KGIC Language College (BC) Corp., MTI Community College Ltd., Pan Pacific Career College Inc., Pan Pacific College (Toronto) Ltd., Pan Pacific College Inc., PGIC Career College Inc., PGIC Toronto Inc., PGIC Vancouver Studies Inc., PGIC Victoria Studies Inc., Study English in Canada Inc., Study English in Canada (Vancouver) Inc., Upper Career College of Business & Technology (Vancouver) Inc., Upper Career College of Business & Technology Inc., Urban International School Inc., Victoria International Academy of Teacher Training Ltd., Western Town Business College Ltd. and Western Town College Toronto Inc.

Respondents

APPLICATION UNDER SECTION 47(1) OF THE *BANKRUPTCY AND INSOLVENCY ACT*, R.S.C. 1985, C. B-3, AS AMENDED AND SECTION 39 OF THE *LAW AND EQUITY ACT*, R.S.B.C. 1996 C.253, AS AMENDED.

PRELIMINARY REPORT OF BDO CANADA LIMITED, IN ITS PROPOSED CAPACITY AS COURT APPOINTED INTERIM RECEIVER

24 January 2017

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Exhibits

BACKGROUND

1. KGIC Inc. through its operating subsidiaries, (collectively the "KGIC Group") operates a number of private career and language colleges through several brands in British Columbia and Ontario. The principal brands are "King George International College" which provides language training in Victoria, Vancouver, Surrey and Toronto and "MTI Community College" which provides career training in Vancouver, Surrey, Burnaby and Chilliwack.

2. Mr. Toby Chu, President of CIBT Education Group Inc, has estimated that the KGIC Group currently has some 1,700 students and 425 employees in 18 locations. The majority of the campuses, students and staff are in British Columbia as outlined below:

	BC	Ontario	Total
Campuses	13	5	**18**
Students	1,076	578	**1,654**
Staff	282	144	**426**

3. KGIC Inc. is a public company listed on the TSX Venture exchange under the symbol: LRN.

4. Based on SEDAR filings, the KGIC Group has reported operating losses in the fiscal year ending 31 December 2014 and in every reporting period since then. These results are summarized in **EXHIBIT "A"**.

5. These filings show that, in each of the seven quarters reported in 2015 and 2016, the KGIC Group has reported negative EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization), a commonly accepted proxy for net cash flow. The cumulative negative EBITDA over these seven periods is $20,768,000.

6. From a review of this information, the Receiver notes that, while the KGIC Group has reduced its operating costs over these seven quarters, it continues to operate at a loss.

7. In its MDA (Management Discussion and Analysis) posted on SEDAR on 2 December 2016, (the "Q3 2016 Press Release"), KGIC Inc. reported (emphasis added):

"The Company does not have adequate internally generated funds to maintain its operations on a daily basis. The daily working capital requirements of the Company are being met through an unsecured and unauthorized overdraft facility with a commercial bank (the Bank). This overdraft amount has reached $1,335,298 as of 30 September, 2016. There is extreme uncertainty surrounding the extent to which the Bank will extend this overdraft facility to the Company. The management is in negotiation with the Bank relating to this overdraft facility and no matter has been brought to the management's attention informing the cancellation of this overdraft facility." (p. 6).

8. The Q3 2016 Press Release, attached as **Exhibit "B"**, continues (emphasis added):

"Management has concluded that the combination of the above circumstances represent a **material uncertainty that casts a significant doubt upon the company's ability to continue as a going concern** and to meet its funding requirements and to refinance or repay its debt facilities as they fall due or demanded repayment. If for any reason the Company is unable to continue as a going concern, it could have an impact on the Company's ability to realize assets at their recognized values, in particular the capital assets, goodwill and other intangible assets and to extinguish liabilities in the normal course of business at the amounts stated in the consolidated financial statements." (p. 6)

9. The Q3 2016 Press Release confirms that the KGIC Group has continued operations largely due to continued funding from the senior lender.

10. The Q3 2016 consolidated Balance Sheet of KGIC Inc. as filed with SEDAR, is summarized below. Assets total $16,690,000, of which $8,098,000 is comprised of the trade names, development of intellectual property and goodwill, which may have negligible value in a liquidation. It should also be noted that there are substantial liabilities totaling $34,643,000 and that there is a significant shareholders' deficit of ($17,953,000).

KGIC Inc. Consolidated Unaudited 30 Sept 2016 Balance Sheet ($,000's)					
Assets			**Liabilities**		
Current			Bank Debt	$	12,958
Cash	$	190	Accounts Payable		7,582
Inventory		218	Deferred Revenue		6,716
Accounts Receivable		3,619	Taxes Payable		6
Prepaid Expenses		1,755	Shareholder Loan		711
	$	5,782	Convertible Debentures		6,542
Non-Current			Leasehold Inducements		128
Capital Assets	$	2,093		$	34,643
Rent Deposits		717	**Equity**		
Trade Name		4,811			
IP Development		2,617	Preferred Shares	$	7,530
Goodwill		670	(Shareholders' Deficit)		(25,482)
		10,908		$	(17,953)
Total	$	16,690	**Total**	$	16,690

11. On 26 September 2016 in a press release (**Exhibit "C"**) (the "Restructuring Plan"), KGIC Inc. announced a planned restructuring which would have seen a debt settlement with the Bank of Montreal ("BMO") and an equity conversion for the holders of convertible debentures, preferred shares and unsecured debt.

12. Since there have been no press releases or SEDAR filings announcing progress in the Restructuring Plan (in fact, there have been no filings since the Q3 2016 Press Release of 2 December 2016), the Receiver believes that KGIC Inc. has not succeeded in funding its Restructuring Plan. Further, as of 22 January 2017, the Office of the Superintendent of Bankruptcy CCAA Records List does not list a CCAA filing by KGIC Inc., which would have been a key step in its Restructuring Plan.

13. BDO was engaged by KGIC Inc. to provide a fairness opinion with respect to the proposed equity conversion for the holders of convertible debentures, preferred shares and unsecured debt which was part of its proposed Restructuring Plan. This fairness opinion was issued on 4 November 2016. Since the Restructuring Plan has not moved forward,

BDO does not believe, that there is a conflict in acting as Interim Receiver of the KGIC Group.

14. CIBT Finance (2017) Corp. ("CF2017") has taken an assignment of BMO's debt and has issued S.244 Notice to enforce its security. BDO is advised by CF2017 that it currently does not plan to provide go-forward working capital financing to KGIC Inc. or the KGIC Group.

15. CF2017 has, however, undertaken to provide, if the receivership order is granted, funding through Receiver's certificates in order to continue operations.

16. BDO Canada Limited ("BDO" or the "Receiver") has consented to act as Receiver and as Interim Receiver.

17. BDO notes that it has had experience in restructuring private and language schools. Members assigned to this mandate have been responsible for the restructuring of Cedar Grove School and College des Grands Lacs, among other mandates. As well, BDO has offices and employees in the municipalities where the KGIC Group has operations.

PURPOSE OF THIS REPORT

18. The purposes of this preliminary report are to provide this Court with information regarding:

    a. BDO's understanding of the situation;

    b. BDO's intended plan of action;

    c. The proposed appointment of an Interim Manager for the Receiver; and

    d. The proposed Sale Process.

SITUATION

19. Based on press releases dated 31 August 2015 and 17 February 2016 (attached as **Exhibit "D"**), which both refer to KGIC Inc. having entered into forbearance agreements with BMO, the Receiver concludes that KGIC has been in default of its loans from BMO for an

extended period of time. The Receiver's review of KGIC's publicly available financial information and press releases appear to confirm this.

20. In the Q3 2016 Press Release, KGIC states, "The Company does not have adequate internally generated funds to maintain its operations on a daily basis."

21. The Receiver noted that the KGIC Inc. website showed that KGIC Inc.'s head office had relocated from 1255 Bay Street, Toronto to 55 Town Centre Court 8th floor, Scarborough. A Google search confirmed that these are the premises of the Toronto Institute of Pharmaceutical Technology in Scarborough, a separate private school owned and operated by Dr. Alex MacGregor, CEO of KGIC Inc. and not part of the KGIC Group. A representative of BDO has attended at 1255 Bay Street and has confirmed that the premises appear to be unoccupied. Attached as **Exhibit "E"** are photographs of

   e. the Landlord's notice dated 19 January 2017 stating that January rent has not been paid and that the tenant has abandoned the property; and

   f. the reception area, through the glass doors, showing that it appears to have been vacated.

22. The Receiver has obtained a copy of a cash flow projection for the KGIC Group prepared by KGIC Inc. dated 18 January 2016 (**Exhibit "F"**), which was an appendix to the Forbearance Agreement between BMO and KGIC Inc. referenced in the 17 February 2016 press release. This 14 week cash flow projection forecasted a negative cash flow of some $4 million over the period. Though this projection was prepared a year ago, it appears to be borne out by the operating results discussed above.

23. The Receiver drafted a cash flow based on the year-old projection in **Exhibit F**, making some assumptions about eliminated certain marketing and recruiting costs. This projection (**Exhibit "G"**) estimates a negative cash outflow of approximately $3 million over the period ending 28 April 2017. The Receiver notes that it does not have access to current information to update the projection to 2017, including any increases or decreases in revenue or any changes in cash outflows.

RECEIVER'S PRELIMINARY PLAN

24. The Receiver is of the view that the value of the KGIC Group is best preserved by continuing operations; in particular, by continuing the education of students in the programmes for which they have enrolled.

25. Any interruption in teaching could be expected to cause the provincial regulators, the Private Training Institutions Branch ("PTIB") in British Columbia and the Ministry of Training, Colleges and Universities ("MTCU") in Ontario along with industry association, Languages Canada (collectively the "Regulators") to take action possibly suspending the licenses held by the KGIC Group and placing the students in other programmes. This would effectively cease operations at the KGIC Group and eliminate any going-concern value.

26. The Receiver has reviewed KGIC Inc.'s Q3 2016 consolidated balance sheet as summarized above. Based on its experience, it anticipates that, in a liquidation, recoveries from Prepaid expenses, Rent deposits, Intangible assets and Goodwill could be nominal and that recoveries from Inventory, Accounts receivable and Capital assets could be severely impaired. In the Receiver's opinion the best recovery is likely to be from a going-concern resolution.

Appointment of an Interim Manager

27. With 18 campuses and nearly 2,000 students, the Receiver recognizes that it cannot, on its own, in a cost-effective manner, monitor and manage the operations of the KGIC Group. To that end, the Receiver plans to engage Sprott-Shaw Degree College Corp. as its Interim Manager ("Sprott Shaw") to oversee and manage the day-to-day operations of the KGIC Group. Management Agreements of this kind are often entered into by Receivers when operations are significant and complex, including having multiple locations.

28. Sprott Shaw operates both career colleges and language schools in its own right and has experienced management available to assist the Receiver.

29. The Receiver has been advised that Sprott Shaw is a company related to CF2017.

30. The proposed Interim Management Agreement is attached as Exhibit "H".

31. The Interim Management Agreement calls for Sprott Shaw to provide day-to-day management of the KGIC Group's operations so that the education of students can continue. Sprott Shaw will report to the Receiver so that the Receiver can fulfill its duties.

Evaluate Cashflow

32. The Receiver is concerned that the KGIC Group may not have sufficient cash-flow to meet ongoing obligations. The Receiver plans to assess the companies' cash position and obligations so as to report to this Honourable Court.

33. The Receiver is aware that certain rents have not been paid, for example the head office. February rents will soon be due and the next payroll is understood to be due on 27 January 2017. (**Note**: The Receiver has been advised that the KGIC Group uses a third party payroll service. In the Receiver's experience, such a provider would expect to be funded for payroll 48 hours in advance, in this case Wednesday 25 January 2017.)

34. The Receiver plans to investigate these matters and to develop a cash flow projection that supplements that provided as **Exhibit G.**

35. CF2017 has undertaken to provide funding through Receiver's certificates in order to continue operations.

Regulators

36. The Receiver and Sprott Shaw plan to communicate with the Regulators promptly on appointment.

37. The Receiver is advised by Steven Sohn of Sprott Shaw that certain of the Regulators are investigating certain operations of the KGIC Group for non-compliance with various regulations. The Receiver will co-operate with the Regulators in these investigations.

38. However, the Receiver will take the position, if the order appointing the Receiver is granted, that the Regulators are stayed from closing the KGIC schools as a result of the stay of proceedings afforded by the appointment of the Receiver.

39. The Receiver believes that the appointment of Sprott Shaw with knowledge in operating regulated schools will give the Regulators a level of comfort.

GO-FORWARD PLAN

40. The Receiver believes that the best value can be realized from the assets of the KGIC Group by stabilizing operations and conducting a brief sales process.

Stabilizing Operations

41. The Receiver anticipates that upon review of the operations of the KGIC Group, Sprott Shaw will have recommendations to streamline operations and to reduce costs.

42. The Receiver anticipates taking steps to reduce the anticipated negative cash flow.

Sale Process

43. The Receiver plans to return shortly to this Court for approval of a sales process.

44. Based on its research, the Receiver believes that there are a limited number of potential acquirers with the necessary financial resources, management depth and industry reputation to successfully close a transaction. The Receiver anticipates being able to contact them and to establish their level of interest in a relatively short period of time.

45. The Receiver is advised that CIBT Education Group Inc. ("CIBT"), which is related to CF2017 and Sprott Shaw, is one such interested party. The Receiver is in negotiations with CIBT to provide a "Stalking Horse" bid so as to provide certainty to all parties of a going-concern resolution.

This Report is respectfully submitted to this Honourable Court as of this 24th day of January, 2017.

BDO CANADA LIMITED,

In Its capacity as the proposed Court-Appointed Interim Receiver of
KGIC Inc., and not in its personal or corporate capacity
Per:

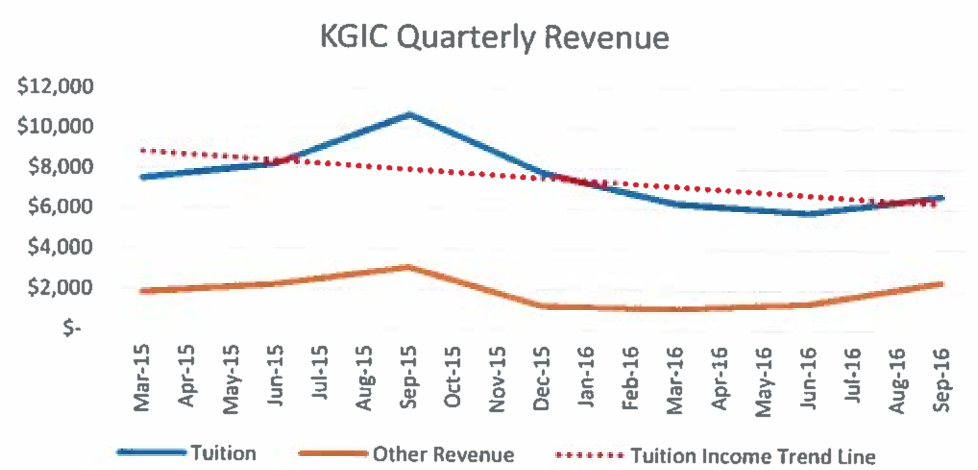
Jervis Rodrigues, CPA, CA, CFE, CIRP, LIT
Senior Vice-President

Exhibit "A"

EXHIBIT "A"

KGIC Inc.
Summary of Reported Operating Results

KGIC Inc.	Summary Operating Results ($,000's)								
	Y/E 2013	Y/E 2014	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16
Revenue									
Tuition			$ 7,502	$ 8,225	$ 10,698	$ 7,808	$ 6,273	$ 5,818	$ 6,676
Other Revenue			1,819	2,232	3,106	1,228	1,092	1,350	2,425
Total Revenue	$ 30,682	$ 64,931	9,321	10,456	13,804	9,036	7,365	7,168	9,101
Direct Costs			9,068	9,917	11,465	7,993	6,777	6,574	7,817
Gross Profit	11,029	22,461	253	540	2,339	1,042	587	594	1,284
Gross Profit Margin	*35.94%*	*34.59%*	*2.72%*	*5.16%*	*16.94%*	*11.54%*	*7.97%*	*8.29%*	*14.11%*
General and Admin			5,579	6,371	4,855	3,371	3,676	3,421	3,008
Income from School Ops.	1,846	(3,917)	(5,326)	(5,832)	(2,516)	(2,329)	(3,089)	(2,827)	(1,724)
Adj. EBITDA from School Ops.	$ 3,703	$ 2,113	$ (4,970)	$ (5,477)	$ (2,169)	$ (1,646)	$ (2,708)	$ (2,449)	$ (1,351)
EBITDA Margin	*12.07%*	*3.25%*	*-53.32%*	*-52.38%*	*-15.71%*	*-18.21%*	*-36.76%*	*-34.16%*	*-14.84%*
Cumulative EBITDA			$ (4,970)	$ (10,447)	$ (12,615)	$ (14,261)	$ (16,968)	$ (19,417)	$ (20,768)



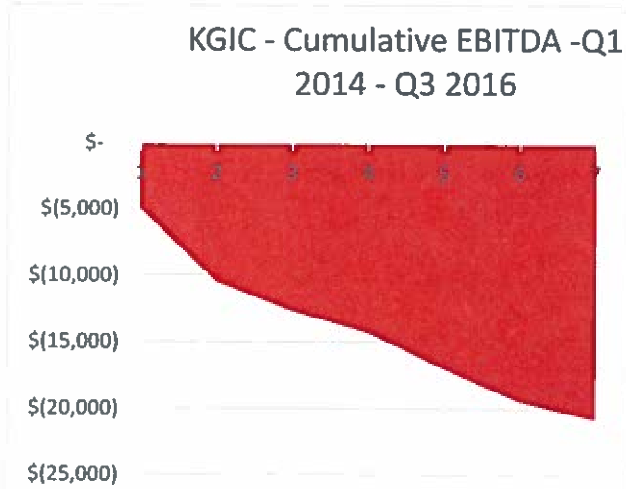


Exhibit "B"

KGIC Inc.
For Immediate Release
TSX Venture Exchange
Symbol "LRN"

KGIC Inc. Announces Third Quarter 2016 Financial Results

TORONTO, ONTARIO – (December 2, 2016) – KGIC Inc. ("KGIC" or the "Company") (TSX VENTURE: LRN) today announced financial results for the third quarter ending on September 30, 2016. The Company's financial statements and management's discussion and analysis ("MD&A") for the third quarter ending on September 30, 2016 are available on SEDAR (www.sedar.com). The MD&A discusses both reported EBITDA and adjusted EBITDA that is designed to report normalized EBITDA that gives the reader a better sense of what are sustainable earnings. Financial references are in Canadian dollars unless otherwise specified.

"In the latest quarter, although management has successfully implemented its turnaround strategy and delivered a positive third quarter of recovery, the Company continues to face financial challenges and is heavily reliant on discretional funding by its senior lender" stated Alex MacGregor, President and Chief Executive Officer.

Financial Performance

The table below summarizes key metrics that compares three months results within the Company's school operations for September 30, 2016 and September 30, 2015:

Three months ended		**September 30, 2016**		**September 30, 2015**	**% Change**
Tuition revenue	$	6,675,949	$	10,697,813	-38%
Other income		2,425,143		3,105,719	-22%
Total revenue		9,101,092		13,803,532	-34%
Gross profit		1,283,903		2,338,855	-45%
General and administrative expenses		3,007,831		4,854,530	-38%
Loss from Continuing Operations before other items		(1,723,928)		(2,515,675)	31%
Adjusted EBITDA	**$**	**(1,350,889)**	**$**	**(2,168,791)**	**38%**

The Company reported a net loss of $1.7 million for the third quarter of 2016 compared to a net loss of $2.5 million for the same period in 2015. Adjusted negative EBITDA was negative $1.35 million, for the third quarter of 2016 compared to negative $2.17 million, for the same period in 2015. In the third quarter of 2016, adjusted negative EBITDA was reduced by 38% over the same period in 2015.

The decline in tuition revenues of 38% in the third quarter of 2016 ($6.7 million), when compared to the same period in the prior year 2015 ($10.7million), is partially attributable to a reduction in the number of schools and campus locations from twenty-eight campuses as of June 30, 2015 to twenty-two campuses as of June 30 2016.

In addition, reduction in tuition revenue in the third quarter of 2016 is also attributable to the loss of students from the less lucrative markets and diversification into new lucrative markets. Management believes that improved relationships with student recruitment agencies coupled with implementation of the new marketing plan that diversifies student recruitment to China, India and Brazil will improve both revenues and profitability. These initiatives are expected to increase tuition revenues as well as improve the bottom line due to lower recruitment commission rates in these new markets.

"Despite the Company's turnaround as evidenced in the last three consecutive quarters, it continues to experience challenging funding constraints due to its overleveraged capital structure. Management proposed a debt restructuring plan designed to improve the Company's debt-equity ratio, recapitalize the company and provide the necessary funding to grow revenues.

"It is disappointing that the plan was rejected by a significant block of unsecured convertible debenture holders and a small group of preferred shareholders. The rejection of this plan, despite an independent fairness opinion conclusion in respect of the debt-restructuring offer, cast significant doubt on the Company's ability to operate as a going concern" stated Alex MacGregor – President and CEO.

About KGIC Inc.

KGIC owns and operates private English as a Second Language (ESL) Schools, Career Colleges and Community Colleges in Toronto, Vancouver and Victoria.

For further information, please contact:

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KGIC Inc.

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E:amacgregor@loyalistgroup.com

Forward-Looking Information and Statements

This news release includes certain forward-looking information and statements within the meaning of Canadian securities laws. Such forward-looking information and statements are not representative of historical facts or information or current condition, but instead represent only the Company's beliefs regarding future events, plans or objectives, many of which, by their nature, are inherently uncertain and outside of the Company's control. Generally, such forward-looking information or statements can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or may contain statements that certain actions, events or results "may", "could", "would", "might" or "will be taken, "will continue", "will occur" or "will be achieved". The forward-looking information contained herein includes information concerning the ability of Company to continue as a going concern. By identifying such information and statements in this manner, the Company is alerting the reader that such information and statements are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such information and statements.

The forward-looking information contained in this press release is made as of the date hereof, and the Company does not undertake to update any forward-looking information that is contained or referenced herein, whether as a result of new information, future events or otherwise, except in accordance with applicable securities laws. All subsequent written and oral forward looking information and statements attributable to the Company or persons acting on its behalf is expressly qualified in its entirety by this notice.

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

KGIC INC.
(formerly Loyalist Group Limited)

MANAGEMENT DISCUSSION & ANALYSIS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016

Management's Discussion and Analysis of Financial Condition and Results of Operations

KGIC Inc. ("KGIC" or the "Company") has prepared the following management's discussion and analysis ("MD&A") to provide information to assist in understanding the financial results for the three and nine- months ended September 30, 2016.

This MD&A should be read in conjunction with KGIC's unaudited condensed consolidated financial statements as at and for the three and nine- months ended September 30, 2016 and the audited consolidated financial statements for the year ended December 31, 2015 (collectively, the "Financial Statements"). This MD&A is dated as at and based on information available to management as of November 30, 2016 and has been prepared in accordance with National Instrument 51-102F1.

Unless otherwise noted, all financial information in this MD&A has been prepared in accordance with International Financial Reporting Standards ("IFRS") and all amounts are expressed in Canadian dollars.

KGIC is a publicly traded educational organization, providing premium education services at its English as a Second Language (ESL) Schools, High School, Career Colleges and Community Colleges across Canada. The Company's common shares are listed on the TSX Venture Exchange under the symbol "LRN".

The above referenced material is available on KGICs website at www.loyalistgroup.com or it can be found, along with additional information about KGIC, on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com. Other public filings relating to the Company can also be found on SEDAR.

IFRS and non-GAAP measures:

This MD&A contains both IFRS and non-GAAP measures. Non-GAAP measures are defined and reconciled to the most comparable IFRS measure.

Forward Looking Statements

Certain information contained in this MD&A constitutes forward-looking information and other statements concerning the Company's objectives and strategies, and management's beliefs, plans, estimates and intentions. Such forward-looking information and statements are not representative of historical facts or information or current conditions, but instead represent only the Company's beliefs regarding future events, plans or objectives, many of which, by their nature, are inherently uncertain and outside of the Company's control. Generally, such forward-looking information or statements can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or may contain statements that certain actions, events or results "may", "could", "would", "might" or "will be taken, "will continue", "will occur" or "will be achieved". By identifying such information and statements in this manner, the Company is alerting the reader that such information and statements are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such information and statements. Any number of important factors could cause actual results to differ materially from these forward-looking statements as well as future results, including but not limited to: the Company's ability to service its outstanding indebtedness and the impact of that indebtedness on the Company's ability to raise additional capital, fund and maintain operations or meet business objectives; the Company's ability to comply with the terms of the amended Forbearance Agreement with Bank of Montreal and the consequences of any breach or default thereunder; the Company's ability to successfully exit forbearance; the Company's ability to complete any proposed recapitalization or restructuring activities, including the Optimization Plan described herein, on terms acceptable to the Company or at all and the expected cost savings related thereto; the fact that new management of the Company, including the recently appointed Chief Executive Officer, have had limited experience with the Company and its operations and have not had sufficient time to fully analyze all facets of the Company's business; the impact of negative or unfavourable rumors in the marketplace on the Company's brands and student enrollment; any of the Company's announced or proposed acquisitions failing to close or becoming delayed before closing; any loss of certain key personnel; levels of student enrolment; delays in rolling out the online education programs; delays to the completion of any planned initiatives or the inability to complete those initiatives; competition in the educational services market; currency fluctuations; and other risks included elsewhere in this MD&A under the heading "Risk Factors" and in the Company's public disclosure documents filed with certain Canadian securities regulatory authorities and available under the Company's profile at www.sedar.com. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in the forward-looking information and statements, there may be other factors that cause results not to be as anticipated, estimated or intended. Although the Company believes that the assumptions and factors used in preparing, and the expectations contained in, the forward-looking information and statements are reasonable, readers should not place undue reliance on any forward-looking information or statements contained in this MD&A, and no assurance or guarantee can be given that such forward-looking information and statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information and statements. Company does not undertake any obligation to update or release any revisions to these forward-looking statements to reflect events or circumstances after the date of this MD&A or to reflect the occurrence of unanticipated events, except as required by law.

Presentation of Financial Information and Non-IFRS Financial Measurements

The Company uses earnings before interest, taxes, depreciation and amortization ("EBITDA") and adjusted EBITDA as an indicator of financial performance. Management uses EBITDA and adjusted EBITDA to measure the profit trends of the Company, as it eliminates the effects of financing decisions. EBITDA refers to earnings determined in accordance with IFRS, before depreciation and amortization, net of gain or loss on disposal of capital assets, interest expense and income tax expense. EBITDA is used by management and many investors to determine the ability of an issuer to generate cash from operations. Management believes EBITDA is a useful supplemental measure from which to determine the Company's ability to generate cash, working capital, income taxes and dividends. Adjusted EBITDA refers to EBITDA excluding the loss from assets held for sale, the write-down of goodwill and intangible assets, transaction costs, write-down of property and equipment, restructuring costs and the interest, taxes, depreciation and amortization of long-term investments. The Company has used Adjusted EBITDA as the basis for the analysis of its past operating financial performance. Adjusted EBITDA is used by the Company and management believes it is a useful supplemental measure from which to determine the Company's ability to generate cash available for debt service, working capital, capital expenditures, and income taxes. Adjusted EBITDA is a measure that management believes facilitates the comparability of the results of historical periods and the analysis of its operating financial performance which may be useful supplementary information to investors because it removes, to the extent practical, events that are non-recurring and extraordinary in the conduct of the company's regular operations to investors. This non-IFRS financial measurement has not been presented as an alternative to net income (loss), cash flow or any other financial measure of performance prescribed by IFRS. Reconciliation of the non-IFRS measure is provided in the *Summary of Operations and Overall Performance* below.

Business Overview

KGIC Inc. is an educational organization that provides premium education services at its private English as a Second Language ("ESL") Schools, High School, Career Colleges and Community Colleges across Canada. The Company owns and operates 22 campuses in Ontario and British Columbia and enrolls approximately 20,000 students yearly in various English language and career training educational courses.

Since December 2010, the Company has implemented a strategy to acquire premium private schools and complementary private education brands in the private education market. As of September 30, 2016, the Company has acquired and consolidated several ESL Schools and formed 4 major ESL brands targeting a wide spectrum of international students across multiple demographics. In addition, the Company has also acquired and established 4 Career/Community Colleges, 1 On-line Training School, and 1 High School to provide its complementary career training and education pathways for its ESL and domestic student population.

In order to maximize cash flow from operations it is the company's view that it must diversify its ESL operations both geographically and by brand. Accordingly, the company has attempted to expand its footprint in its core sector by targeting ESL Schools that provide the greatest synergies and cost efficiencies while not stretching the company's resources. Some of the past write-downs of Goodwill occurred because, in management's view, some acquisitions were not properly integrated, and synergies were not maximized prior to moving on to new targets. For fiscal 2016 and moving forward, proper integration and a focus on internal controls are paramount to maximizing cash flows in the future

As at September 30 2016, the Company's school brands and campuses are as follow:

ESL Brands	Name of School	Total Campus Locations
King George International College 20th anniversary	KGIC-Toronto KGIC-Vancouver KGIC-Surrey KGIC-Victoria	4 Locations
SEC Study English in Canada Inc.	SEC-Toronto SEC-Vancouver	2 Locations
PGIC Vancouver | Toronto	PGIC-Toronto PGIC-Vancouver	2 Locations
Cornerstone	CAC-Toronto	1 Location

Total number of ESL Brand = 4. Total number of ESL campus = 9.

Career College Brands	Name of School	Total Campus Locations
KGIBC King George International Business College Canada TESOL Centre	KGIBC-Toronto KGIBC-Vancouver KGIBC-Melville KGIBC-Pender	4 Locations
UCCBT	UCCBT-Toronto UCCBT-Vancouver	2 Locations
PGIC Vancouver | Toronto	PGIC Career College Inc.- Vancouver	1 Location

Total number of career college brand = 3. Total number of campus = 7.

Community College	Name of School	Campus Location
MTi COMMUNITY COLLEGE	MTi-Vancouver MTi-Chilliwack MTi-Surrey MTi-North Road	4 Locations

Total number of community college brand = 1. Total number of campus =4.

High School Brand	Name of School	Campus Location
URBAN INTERNATIONAL SCHOOL	UIS-Toronto	1 Location

Total number of high school brand = 1. Total number of campus =1.

Online Training Brand	Name of School	Campus Location
VIA TRAINING CENTRE	VIA-Vancouver	1 Location

Total number of on-line training school brand = 1. Total number of campus =1.

All of the Company's subsidiaries are wholly owned except for PGIC Toronto in which the Company has a 96.2% ownership.

Industry Growth Prospect

International education is a $10 billion industry in Canada that is growing at approximately an 8% compounded annual growth rate. The industry created 86,570 jobs and generated $455 million in government tax revenues in 2011 according to statistics published by Citizenship and Immigration Canada. The Canadian government is ramping up to become one of the top 5 destination countries in the world for foreign students behind the US and the UK. According to a Federal government news release, the quota of international students allowed admission into Canada is expected to grow by 80% in 8 years, from 250,000 in 2014 to 450,000 by 2022. In 2015, the number of international students at all levels of study in Canada reached 336,000. Out of this large market, Metro Vancouver is expected to continue to have one of the largest market shares in Canada.

The Organization for Economic Co-operation and Development (OECD) estimates that the global demand for international higher education is set to grow from nearly 3.7 million students in 2009 to 6.4 million in 2025. The Report also states that International students in short-term language training programs in Canada were estimated to have contributed $788 million in total spending to the Canadian economy during 2012.

The Company, with its 22 campuses in British Columbia and Ontario, is well positioned to benefit from the industry's high growth rate and favorable government policies. The Company has the infrastructure and experience to capitalize on emerging market growth with minimal emerging market risk.

The Company's strategic acquisition and establishment of complementary career colleges and high school also addresses the growing demand for Pathway programs, which bridge ESL programs to post-secondary institutions.

The Company's goal is to become an industry leader in the international education market. The key factors to the Company's continued growth include improving financial performance through consolidating operations, and increasing market share through brand promotions and strategic acquisitions.

Outlook for Fiscal 2016

New Management Plan

The New Management Plan which took effect on December 21, 2015 is comprised of three (3) main business success drivers namely: a) stabilizing & re-branding the schools, b) improving profitability and c) diversifying markets and increasing sustainable revenue. The initial stage of the New Management Plan has been implemented. The school operations have been stabilized and appropriate internal cost controls measure has been introduced.

First 6 months performance of Company signalled the successful transition of the new management and initial implementation of New Management Plan under the new CEO, Dr Alex MacGregor. This transition has resulted in significant G&A cost savings, improved recovery and profitability. The board is supportive of the new operational turnaround and the new plans to restore controlled organic growth in the subsequent quarters and beyond.

The main highlights of the New Management Plan can be summarized in the following Q&A:

Q. How would new management improve profitability and how will the SG&A expenses under new management compare with previous years?

A. The initial step of new management transition is to effectively stabilize the business within a short period of time and concurrently implement operational cost control. As part of the stabilization plan, new management conducted a preliminary human resources audit, and re-engaged campus directors in the financial operations of the company- reinforcing and empowering each campus to operate as a lucrative profit centre.

One of the primary reasons for the Company's losses in the previous year (2015) was the high SG&A expense that were unrelated to the business growth and expenses from the closed campuses. These expenses were incurred at the head office mainly from professional and consulting fees as well as unproductive promotion and advertising cost at the campuses.

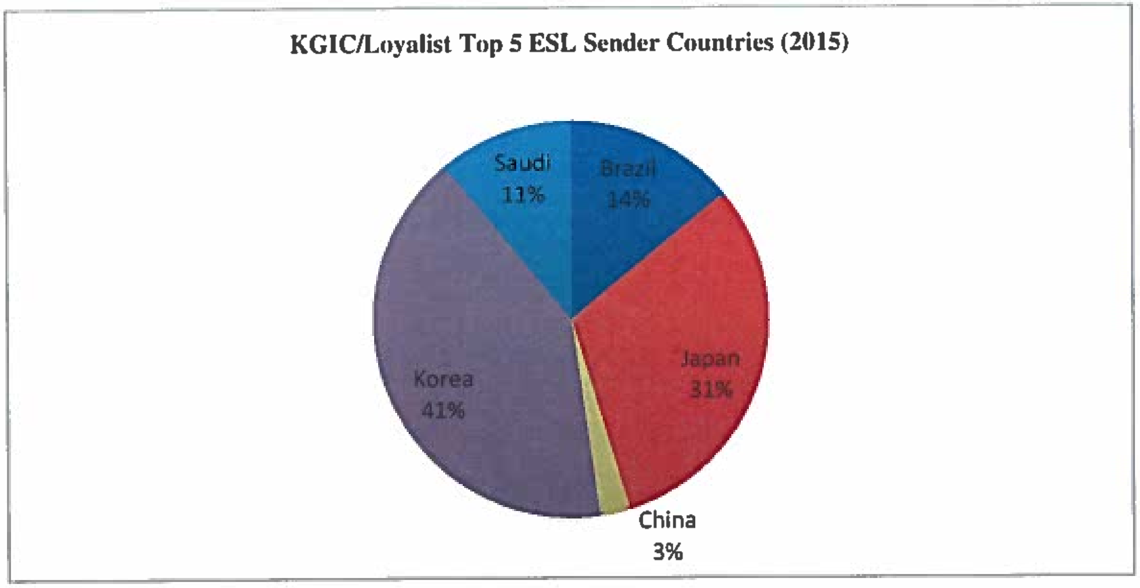
Under the new management plan, a systematic process of streamlining operational costs at both head office and campus sites are being implemented. This involves introduction of industry "best practices" in specific areas of operational expenses that directly impact G&A costs. In addition, the plan involves concurrent internal cost controls and periodic audits of costs at head office and campus sites.

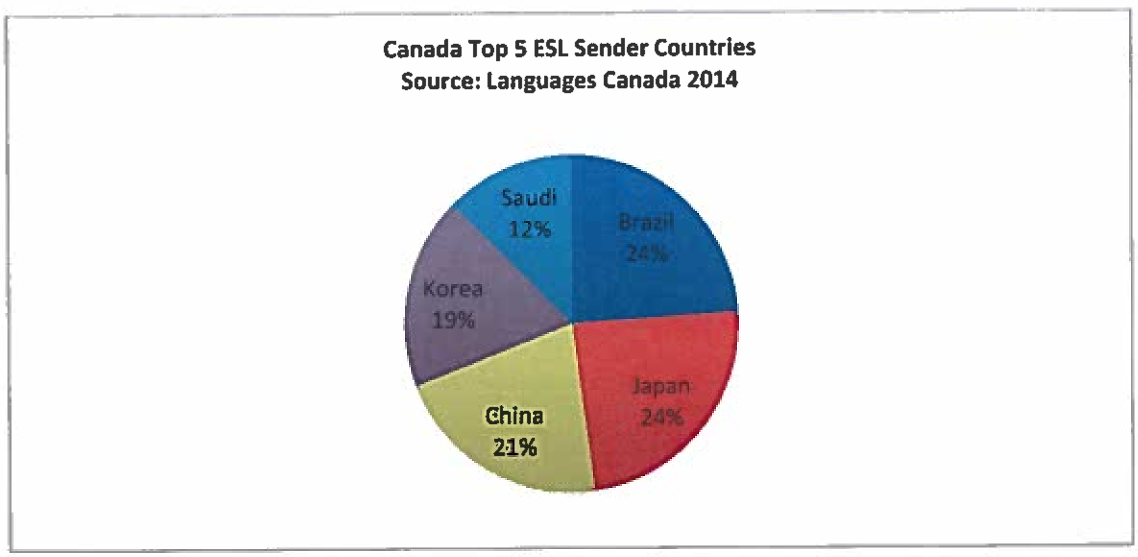
These reductions will ensure the Company remains within operational best practices within the industry and with comparable operational costs.

Q: What would new management do specifically to ensure revenue growth and profitability and how is it different from previous management?

A: The New Management Plan to grow revenues and improve profitability involves a three-prong approach; a) stabilizing existing markets, b) developing new lucrative markets and c) diversifying revenue source.

The following specific antecedents provides some context to our plan:
From 2012-2015, the company focused primarily on KGIC's (formerly Loyalist) historical ESL student base primarily from South Korea and Japan. Marketing efforts were largely centered on these markets with very little attention in the other lucrative demographics. For example, in 2014 and 2015, compared to the expected distribution of ESL markets in Canada, our revenue base is heavily skewed (72%) toward Korea and Japan as shown in the graph below:

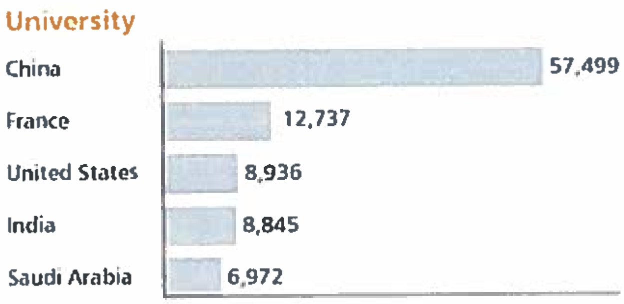




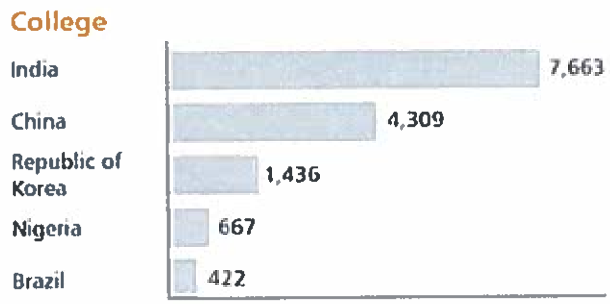
Although South Korea and Japan are considered established and mature markets in the ESL education industry, other emerging markets are equally lucrative. According to Languages Canada, Brazil, China and Japan are the top three markets for ESL. The New Management Plan contemplates increasing KGIC's market share in China, Brazil, and Japan to better capitalize on the revenue base currently under-explored.

According to Canadian Bureau on International Education, China and India are ranked top two countries sending international students to Canada. Students from these countries primarily attend college, post-secondary and universities in Canada. Majority of these applicants inevitably require academic English language proficiency as a prerequisite for admission into these institutions and for student permit eligibility.

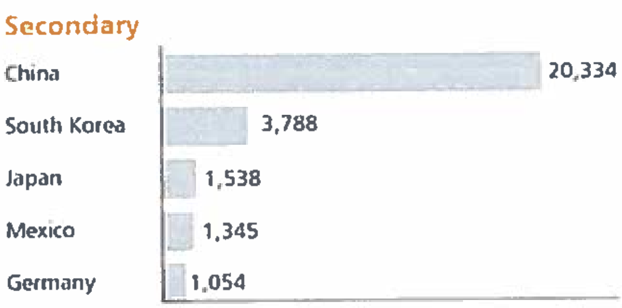
Top countries of citizenship, international students in Canadian university programs



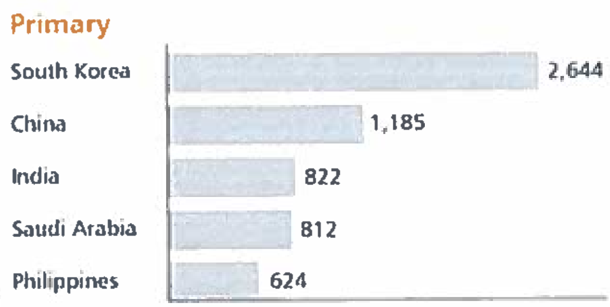
Top countries of citizenship, international students in Canadian college programs



Top countries of citizenship, international students in Canadian secondary programs



Top countries of citizenship, international students in Canadian primary programs



The New Management Plan also anticipates expansion and diversification of tuition revenue to include a wider demographic and student source through ESL-Pathway programs.

As at September 30 2016, KGIC has over 40 pathway partnership agreements with colleges and universities across Canada and United States of America. Management's goal is to increase the breadth of these partnerships to include the top 20 desired tertiary institutions and colleges in Canada. With these partnerships, students from across a wider demographics and countries can attend our pathway English programs at our schools and earn direct admission to any one of the Colleges and Universities under our pathway partnership. New management's plan is to diversify marketing resources to capitalize on revenues from these under-explored markets.

Currently, KGIC's main sources of students are from ESL student agencies located primarily abroad and some with offices within Canada. Thus, the company's success depends almost entirely on relationships with numerous foreign student recruitment agencies that have become the only access to ESL students at a cost of between 35% to 50% tuition commission. The New Management Plan is to maintain existing relationship with ESL student agencies, however diversify our student and revenue sources by; a) direct marketing and active recruitment through our own existing liaison offices in the major markets, b) direct student feeders through agreements with select colleges and universities in our major markets, and c) domestic ESL offerings to landed immigrants in Canada. These efforts will diversify our revenue sources and improve profitability by eliminating or reducing agency commissions.

Student Housing Plans

With over 25,000 international students annually, new management has recognized the need to implement a multi-faceted approach to revenue growth that will capitalize on revenues from student housing. This will involve student-housing partnerships and joint venture student housing developments. The Company is confident that by implementing these measures the student-housing program can contribute to the revenue growth and profitability of the Company.

Lending Arrangement with the senior lender

The Company's term loan acquisition credit facility was in breach of covenants and further withdrawal was unavailable. As at September 30, 2016, the balance owing on the facility was $8,879,961. The facility matured on November 17, 2019. On February 4, 2016, the Company entered into an amended and restated forbearance agreement with the lender that required the repayment of the term loan acquisition facility of $8,879,961 by April 22, 2016.

In addition, on February 4, 2016, the Company entered into an amended and restated credit agreement with the lender. The lender agreed and provided the Company with a discretionary, non-revolving demand credit facility in the amount of up to $3,000,000. Each advance under the demand facility was at the discretion of the lender. The demand credit facility was advanced to the Company only for working capital and general corporate purposes. Total $2,967,500 was advanced to the Company and $225,000 was paid back during the nine months ended September 30, 2016. The balance owing on the facility was $2,742,500 as at September 30, 2016. The facility matured on April 22, 2016. The Company plans and is in the process of negotiating terms of the credit facility with the lender.

On April 7, 2016, the Company obtained a memorandum of understanding from the lender, which stated that upon receipt by the Company of proceeds from the issuance of debentures in the aggregate amount of $1,825,000, the existing forbearance agreement dated February 4, 2016 will be terminated. As of September 30, 2016, the Company has completed its non-brokered private placement of convertible debentures for gross proceeds of $2,225,000. The Company plans and is in the process of negotiating with senior lender to restructure the acquisition facility loan of $8,879,961.

The senior lender continues to allow overdraft to the company which is outside the facilities negotiated with the bank. The amount of overdraft as of September 30, 2016 was $1.2 million. This overdraft balance has increased to $3.2 million as of the date of issuance of this MD&A.

Proposed debt restructuring

On September 26, 2016, the company announced that its plan to execute a capital restructuring and debt settlement plan (the "Debt Settlement Plan") which is expected to reduce the Company's existing debt by approximately $20.2M by offering equity conversion to holders of existing unsecured convertible debentures (the "Debentures"), subordinated loans and preferred shares (collectively, the "Unsecured Debt Securities") and a debt settlement with the Company's senior lender.

The senior lender has agreed to reduce its debt by $5.4M and the balance to be paid in cash. The Debt Settlement Plan requires substantial participation from holders of Unsecured Debt Securities. The Company has proposed to settle the Unsecured Debt Securities by issuing approximately 74,200,000 common shares.

The management is confident that with the successful execution of the Debt Settlement Plan, the impending financing of the Company will not only accelerate the Company's growth plans but also strengthen company's position in the education market.

The company has received confirmation from lenders representing more than 70% of the company's existing outstanding debt, including its senior lender. Completion of the plan and the transactions contemplated by the Debt Settlement Plan, of which the Company has received conditional approval by TSX Venture Exchange, are subject to certain conditions, including obtaining the final approval of the TSX Venture Exchange (including in respect of the proposed Waiver) and all other required governmental, regulatory, and third party approvals, as applicable. There is no assurances that any of the transactions contemplated by the Debt Settlement Plan or the Loan will be successfully completed. If not completed, the Company's ability to continue as a going concern may be significantly affected.

On October 17, 2016, the Company announced that it has received a firm commitment from a third party lender for a proposed secured loan in the aggregate amount of up to $9.725 million. Funding of the Loan is conditional on the Company completing its previously announced capital restructuring and debt settlement plan on or before October 31, 2016. Certain significant block of unsecured debenture holders have informed the company of their decision to reject the capital restructuring and debt settlement plan, thus impairing the Company's ability to complete the plan and proposed funding. On October 31, 2016 the Company announced and confirms that it has completed an independent fairness opinion ("Fairness Opinion") from BDO Canada LLP related to the capital restructuring and debt settlement offer made by the Company to the holders of outstanding unsecured convertible debentures, preferred shares and subordinated loans, as detailed in the Company's press release of September 26, 2016. The Fairness Opinion confirms and concludes that the Proposed Debt Settlement Plan is fair, from a financial point of view, to each of the holders of Unsecured Debt Securities.

The management is currently negotiating other financing options with potential investors. As explained in note 12 to the financial statements, the company is in breach of its debt covenants and the senior lender reserves the right to demand immediate repayment of the debt owed by the company. These conditions raise significant doubt about the ability of the Company to continue as a going concern without additional equity or debt financing.

Financial Analysis

Quarterly Comparison

The table below summarizes and compares three and nine month results within the Company's school operations for September 30, 2016 and September 30, 2015:

Three months ended	Sep. 30, 2016	Sep. 30 2015	% Change
Tuition revenue	$ 6,675,949	$ 10,697,813	-38%
Other income	2,425,143	3,105,719	-22%
Total revenue	9,101,092	13,803,532	-34%
Gross Profit (Loss)	1,283,903	2,338,855	-45%
General and administrative expenses	3,007,831	4,854,530	-38%
Loss from Continuing Operations before other items	(1,723,928)	(2,515,675)	31%
Loss from continuing operations	(2,354,815)	(3,321,568)	29%
Adjusted EBITDA*	$ (1,350,889)	$ (2,168,791)	38%

Nine months ended	Sep. 30, 2016	Sep. 30 2015	% Change
Tuition revenue	$ 18,766,536	$ 26,424,556	-29%
Other income	4,867,390	7,156,137	-32%
Total revenue	23,633,926	33,580,693	-30%
Gross Profit (Loss)	2,465,259	3,131,441	-21%
General and administrative expenses	10,105,563	16,804,446	-40%
Loss from Continuing Operations before other items	(7,640,304)	(13,673,005)	44%
Loss from continuing operations	(9,598,293)	(26,362,652)	64%
Adjusted EBITDA*	$ (6,507,280)	$ (12,615,424)	48%

The reduction in tuition revenue for the quarter and nine months ended September 30, 2016 is attributable to the loss of students from the discontinued South Korean student recruitment agencies. There were two (2) South Korean agencies owned by the Company as at September 30 of 2015. These agencies were sold in the third quarter of 2015. New management believes that improved relationships with student recruitment agencies coupled with implementation of the new marketing plan that diversifies student recruitment to China, India and Brazil will improve revenues, which is evidenced in Q3 revenue. These initiatives are expected to increase tuition revenues as well as improve profitability due to lower recruitment commission rates in these new markets compared to the previously dominant South Korean market.

A reduction in G&A operational cost of 38% in the third quarter of 2016 compared to the same period in 2015 is one of the several measures implemented by management to restore profitability.

The reduction in adjusted negative EBITDA from school operations of 38% in the third quarter of 2016 compared to the same period in the prior year 2015, is a direct result of improved operational cost control under new management. New management implemented a number of internal cost control measures such as increasing and optimizing student teacher ratios, eliminating redundant promotional and advertising costs previously passed on to recruitment agencies, streamlining and eliminating G&A operational costs at each campus and head office. The impact of these measures will be more evident in last quarter of 2016 and beyond.

Multiple Quarter Comparison

The following table summarizes and compares seven consecutive trailing quarter results within the Company's school operations for the three months ended September 30, 2016 through March 31, 2014:

School Operations		Q3/16	Q2/16	Q1/16	Q4 2015	Q3/15	Q2/15	Q1/15
Tuition fees	$	6,675,949	5,818,068	6,272,519	7,807,909	**10,697,813**	**8,224,762**	**7,501,981**
Other income		2,425,143	1,350,216	1,092,031	1,228,081	3,105,719	2,231,616	1,818,802
Total Revenue		9,101,092	7,168,284	7,364,550	9,035,990	13,803,532	10,456,378	9,320,783
Direct costs		7,817,189	6,574,106	6,777,372	7,993,492	11,464,677	9,916,854	9,067,721
Gross profit		1,283,903	594,178	587,178	1,042,498	2,338,855	539,524	253,062
General and administrative expenses		3,007,831	3,421,414	3,676,318	3,371,156	4,854,530	6,371,150	5,578,766
Income from school operations before other items		-1,723,928	-2,827,236	-3,089,140	-2,328,658	-2,515,675	-5,831,626	-5,325,704
Amortization in direct costs		373,039	378,394	381,591	683,138	346,884	354,837	355,860
Adjusted EBITDA from school operations	$	**-1,350,889**	**-2,448,842**	**-2,707,549**	**-1,645,520**	**-2,168,791**	**-5,476,789**	**-4,969,844**

The sustainability of reduced adjusted negative EBITDA and the Company's path to restoring profitability is evident in the positive trends in adjusted EBITDA when examining the Company's performance on a trailing seven quarter basis within its school operations: It is expected that the positive trend will continue through the fourth quarter of 2016 and in 2017.

Transactional Activities

Acquired & Discontinued Operations

Acquisition of Kim Okran: On January 22, 2015, the Company completed the acquisition of all issued and outstanding securities of Kim Okran- a South Korean student recruitment agency.

Discontinued Operations: Uhak: On October 28, 2015, the Company completed share purchase agreement to sell all of the issued and outstanding securities of Uhak to an arms-length third party. As of September 30, 2016, although the purchaser has taken possession of the Company, the required monthly installments, forming part of the consideration, have not been paid.
Discontinued Operations: Sale of Kim Okran: On November 6, 2015, the Company sold all of the issued and outstanding securities of Kim Okran to an arms-length third party.

Operations	For the three months ended September 30, 2016 Uhak	For the three months ended September 30, 2016 Kim Okran	For the three months ended September 30, 2015 Uhak	For the three months ended September 30, 2015 Kim Okran
Revenue	$ -	$ -	$ 2,5260,598	$ 150,651
Expenses	-	-	(2,917,970)	(367,035)
Loss from operations	-	-	(391,372)	(216,384)
Other items	-	-	36,521	(134)
Total loss from discontinued operations	$ -	$ -	$ (427,893)	$ (216,518)

Operations	For the nine months ended September 30, 2016 Uhak	For the nine months ended September 30, 2016 Kim Okran	For the nine months ended September 30, 2015 Uhak	For the nine months ended September 30, 2015 Kim Okran
Revenue	$ -	$ -	$ 6,971,755	$ 391,983
Expenses	-	-	(8,170,482)	(985,701)
Loss from operations	-	-	(1,198,727)	(613,718)
Other items	-	-	(56,306)	(28,104)
Total loss from discontinued operations	$ -	$ -	$ (1,255,033)	$ (641,822)

Due to net losses there is $nil income tax expense recorded in respect of discontinued operations. Uhak had current assets of $2,133,205, current liabilities of $3,278,190, non-current assets of $3,051,165 and non-current liabilities of $4,094,621 upon sale; Kim Okran had current assets of $71,159, current liabilities of $520,078, non-current assets of $243,283 and non-current liabilities of $13,963.

The following table summarizes the net cash flows attributable to discontinued operations:

Cash flows	**For the three months ended September 30, 2016**		For the three months ended September 30, 2015	
	Uhak	**Kim Okran**	Uhak	Kim Okran
Cash flows from (used in):				
Operating activities	$ -	$ -	$ (928,216)	$ 70,900
Investing activities	$ -	$ -	$ (134,767)	$ -
Financing activities	$ -	$ -	$ (474,357)	$ -

Cash flows	**For the nine months ended September 30, 2016**		For the nine months ended September 30, 2015	
	Uhak	**Kim Okran**	Uhak	Kim Okran
Cash flows from (used in):				
Operating activities	$ -	$ -	$ (945,310)	$ (127,311)
Investing activities	$ -	$ -	$ (554,306)	$ -
Financing activities	$ -	$ -	$ 1,236,907	$ -

The two student recruitment agencies that were acquired for an aggregate sum of $12,212,509 including share issuances were sold in less than one year from acquisition for a nominal value. A special committee was established by the Board to review the rationale for both the business decision for acquisition and subsequent disposal to understand the commercial substance of the transactions.

Convertible Debenture

The Company completed its non-brokered private placement of convertible debentures for gross proceeds of $1,825,000 on May 9, 2016 and $400,000 on June 14, 2016. The debentures will mature 12 months from the closing dates and bear interest at a rate of 5.0% per annum payable as of maturity dates. The debentures are convertible into units at the holder's option at a pre-consolidation conversion price of $0.02 per unit, with each unit being comprised of one common share and one common share purchase warrant, at any time prior to the 12 month anniversary of the date of issue.

Each warrant entitles the holder to purchase one common share of the Company at a pre-consolidation exercise price of $0.05 per share for a period of 2 years from the closing dates. If a holder notifies the Company on or before the date that is 10 months following the date of issuance of the Debentures that the holder will not be converting its Debentures into units, the interest rate on the debentures will be increased to 12.5% per annum, retroactive from the date of issuance of the debentures. The Offering was made pursuant to the grant of a "discretionary waiver" of the TSX Venture Exchange's ("TSXV") minimum $0.05 pricing requirement (the "Waiver") and is approved by the TSXV on July 14, 2016. With respect to the Waiver, the Company may conduct a share consolidation of its outstanding common shares in such ratio as would result in a "post-consolidation" conversion price equal to or greater than $0.05 per common share (a "Consolidation") on or before the date that is six months following the closing date (the "Consolidation Deadline").

However, the Debentures may not be converted into common shares unless a Consolidation is completed on or before the Consolidation Deadline. If a Consolidation is not completed on or before the Consolidation Deadline, the conversion price will be deemed to be amended to $0.05 per common share in accordance with the TSXV's minimum pricing requirements and the interest rate on the Debentures will be increased from 5.0% to 12.5% per annum, retroactive from the date of issuance of the Debentures.

Three directors of the Company subscribed for $925,000 aggregate principal amount of debentures, which constitutes a "related party transaction" within the meaning of Multilateral Instrument 61-101 - Protection of Minority Security Holders in Special Transactions and the policies of the TSXV.

Upon issuance of the debenture, the Company recorded a liability of $2,072,356. The liability component is being accreted using the effective interest rate method. The amount was calculated using a discount rate of 13%. The estimated fair value of the holder's option to convert the debenture to common shares in the amount of $152,644 has been separated from the fair value of the liability and is included in shareholders' equity.

During the three months ended September 30, 2016, the Company recorded $37,287 in accretion and $28,041 in interest expenses (Three months ended September 30, 2015- $NIL in accretion and $NIL in interest expenses).

Control and Procedures

The CEO and CFO have evaluated the effectiveness of our disclosure controls and procedures for the period ended September 30, 2016 and have concluded that our disclosure controls and procedures are effective to ensure that material information relating to the Company was recorded, processed, summarized and reported in a timely manner as required to enable the Company to satisfy its continuous disclosure obligations. Our CEO, Chief Financial Officer and Senior Management are also responsible for the design of internal controls over financial reporting within the Company in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS (International Financial Reporting Standards). There were no changes in the Company's internal controls over financial reporting during the Company's most recent period that have materially affected, or are reasonably like to materially affect, the Company's internal control over financial reporting.

Summary of Operations and Overall Performance

Selected Financial Information

Key financial data for the Company for the three and nine months ended 2016 and 2015 are as follows:

Three months ended		Sep. 30, 2016		Sep. 30, 2015
Revenue				
Tuition fees	$	6,675,949	$	10,697,813
Other income		2,425,143		3,105,719
		9,101,092		13,803,532
Direct costs		7,817,189		11,464,677
Gross Profit		1,283,903		2,338,855
General and administrative		3,007,831		4,854,530
Amortization of capital assets and intangible assets		41,449		38,543
Loss from operations		(1,765,377)		(2,554,218)
Foreign exchange gain (loss)		(2,847)		(191)
Interest and accretion		(583,865)		(469,533)
Impairment of goodwill and unallocated purchase price		-		-
Impairment of capital assets and intangible assets		-		(191,157)
Share-based compensation expense		(2,726)		(82,440)
Acquisitions and restructuring costs		-		(24,029)
Optimization costs		-		-
Loss before income tax		(2,354,815)		(3,321,568)
Income tax		-		-
Loss from continuing operations		(2,354,815)		(3,321,568)
Income (loss) from discontinued operations		-		(644,411)
Impairment of unallocated purchase price		-		2,892,412
Loss after income tax	$	(2,354,815)	$	(1,073,567)
Attributable to:				
Attributable to equity holders of the Company		(2,351,097)		(1,071,748)
Non-controlling interest		(3,718)		(1,819)
Net loss	$	(2,354,815)	$	(1,073,567)
Other comprehensive loss:		-		(149,241)
Comprehensive loss:	$	(2,354,815)	$	(1,222,808)
Comprehensive loss per share				
Basic-continuing operations		(0.013)		(0.019)
Diluted- continuing operations		(0.013)		(0.019)
Basic-discontinuing operations		-		0.011
Diluted- discontinuing operations		-		0.011
Basic-continuing and discontinuing	$	(0.013)	$	(0.008)
Diluted-continuing and discontinuing	$	(0.013)	$	(0.008)
Total Assets	$	16,690,296	$	46,672,066
Total Liabilities	$	70,203,500	$	85,231,761

Other income is comprised of homestay service fees and dormitory fees, administrative fees for ancillary services such as airport transfer, accommodations, travel insurance, textbooks, other course material fees, and application fees.

Nine months ended		**Sep. 30, 2016**		Sep. 30, 2015
Revenue				
Tuition fees	$	18,766,536	$	26,424,556
Other income		4,867,390		7,156,137
		23,633,926		33,580,693
Direct costs		21,168,667		30,449,252
Gross Profit		2,465,259		3,131,441
General and administrative		10,105,563		16,804,446
Amortization of capital assets and intangible assets		125,892		117,509
Loss from operations		(7,766,196)		(13,790,514)
Foreign exchange gain (loss)		(1,800)		2,029
Interest and accretion		(1,822,119)		(1,045,249)
Impairment of goodwill and unallocated purchase price		-		(6,491,153)
Impairment of capital assets and intangible assets		-		(3,440,142)
Share-based compensation expense		(8,178)		(147,879)
Acquisitions and restructuring costs		-		(449,744)
Optimization costs		-		(1,000,000)
Loss before income tax		(9,598,293)		(26,362,652)
Income tax		-		-
Loss from continuing operations		(9,598,293)		(26,362,652)
Income (loss) from discontinued operations		-		(1,896,851)
Impairment of unallocated purchase price				(8,230,202)
Loss after income tax	$	(9,598,293)	$	(36,489,705)
Attributable to:				
Attributable to equity holders of the Company		(9,588,835)		(36,487,766)
Non-controlling interest		(9,458)		(1,939)
Net loss	$	(9,598,293)	$	(36,489,705)
Other comprehensive loss:		-		183,443
Comprehensive loss:	$	(9,598,293)	$	(36,306,262)
Comprehensive loss per share				
Basic-continuing operations		(0.054)		(0.153)
Diluted- continuing operations		(0.054)		(0.153)
Basic-discontinuing operations		-		(0.057)
Diluted- discontinuing operations		-		(0.057)
Basic-continuing and discontinuing	$	(0.054)	$	(0.210)
Diluted-continuing and discontinuing	$	(0.054)	$	(0.210)
Total Assets	$	16,690,296	$	46,672,066
Total Liabilities	$	70,203,500	$	85,231,761

Management believes that EBITDA, Adjusted EBITDA and Cash flow from operating activities are effective measures for analyzing the performance of the Company. The following table reconciles income from operations to EBITDA and adjusted EBITDA for the three and nine months ended 2016 and 2015:

For the three months	**Sep. 30, 2016**	**Sep. 30, 2015**
Income (loss) after income taxes	**$ (2,354,815)**	$ (1,073,567)
Interest and accretion	583,865	469,533
Income tax recovery	-	-
Amortization	414,489	385,427
EBITDA	**$ (1,356,461)**	**$ (218,607)**
Acquisitions and restructuring costs	-	-
Foreign exchange loss	2,847	191
Impairment of goodwill	-	-
Impairment of capital assets and intangible assets	-	191,157
Share-based compensation expense (recovery)	2,726	82,440
Acquisitions and restructuring costs	-	24,029
Loss and impairment from discontinued operations	-	(2,248,001)
Adjusted EBITDA	**$ (1,350,889)**	**$ (2,168,791)**

For the nine months	**Sep. 30, 2016**	**Sep. 30, 2015**
Income (loss) after income taxes	**(9,598,293)**	$ (36,489,705)
Interest and accretion	1,822,119	1,045,249
Income tax recovery	-	-
Amortization	1,258,917	1,175,091
EBITDA	**(6,517,257)**	**$ (34,269,365)**
Acquisitions and restructuring costs	-	-
Foreign exchange loss	1,800	(2,029)
Impairment of goodwill	-	6,491,153
Impairment of capital assets and intangible assets	-	3,440,142
Share-based compensation expense (recovery)	8,178	147,879
Acquisitions and restructuring costs	-	449,744
Optimization plan costs	-	1,000,000
Loss and impairment from discontinued operations	-	10,127,053
Adjusted EBITDA	**(6,507,280)**	**$ (12,615,423)**

The following table presents cash flows from (used in) the Company's operating activities for the three and nine months ended 2016 and 2015:

Three months ended	**Sep. 30, 2016**	**Sep. 30, 2015**
Cash flows from (used in) operating activities		
Net loss	$ (2,354,815)	$ (1,073,567)
Adjustments to reconcile net income	-	-
to net cash provided by operating activities:	-	-
Amortization	414,489	557,479
Accretion	175,736	98,783
Provision for doubtful accounts	54,664	35,730
Share-based payments	2,726	82,440
Impairment of goodwill	-	(2,892,412)
Impairment of capital assets and intangibles	-	191,157
Lease inducement	(14,565)	(22,651)
Rent deposits	(172,687)	127,875
Severance provision	-	31,975
Exchange rate change	-	(149,241)
Changes in working capital balances	171,013	(1,612,299)
	$ (1,723,440)	$ (4,624,731)

Nine months ended	**Sep. 30, 2016**	**Sep. 30, 2015**
Cash flows from (used in) operating activities		
Net loss	$ (9,598,293)	$ (36,489,705)
Adjustments to reconcile net income	-	-
to net cash provided by operating activities:	-	-
Amortization	1,258,917	1,672,240
Accretion	458,953	222,341
Provision for doubtful accounts	408,450	622,087
Share-based payments	8,178	147,879
Impairment of goodwill	-	14,721,355
Impairment of capital assets and intangibles	-	3,440,142
Lease inducement	(45,340)	(67,953)
Rent deposits	(208,516)	39,907
Severance provision	-	108,469
Exchange rate change	-	183,443
Changes in working capital balances	1,131,091	4,404,701
	$ (6,586,561)	$ (10,995,094)

Results of Operations

The following should be read in conjunction with the condensed consolidated financial statements of the Company and notes attached thereto for the three and nine months ended September 30, 2016.

The Company reported a net loss of $ 2,354,815 for the three months ended September 30, 2016 and a net loss of 9,598,293 for the nine months ended September 30, 2016, compared to a net loss of $ 1,073,567 for the three months ended September 30, 2015 and a net loss of $ 36,489,705 for the nine months ended September 30, 2015.

Analysis of Financial Performance for Three Months Ended September 30, 2016 and 2015

The Company closed and discontinued operations at six (6) campuses deemed non-profitable in 2015. In addition, two (2) student recruitment agencies were sold in 2015. The decline in revenues when compared to the same period in the prior year is partially attributed to reduction in student volume due to closure of the 6 campuses in 2015 and revenue loss from the discontinued student agency operations. The six (6) closed campuses collectively contributed approximately $800,000 to the third quarter (Q3) tuition revenue in 2015. Adjusting for the tuition revenues lost from closed schools, the adjusted decline in tuition revenue in the third quarter of 2016 compared to adjusted revenue in third quarter of 2015 is approximately 28%.

The Company's tuition revenue is comprised of income from ESL, high school and career training education. The relative contributions of each towards revenue streams vary from year to year in line with the Company's acquisition of complementary language schools, career colleges and high schools. The breakdown of revenue by program for the three months ended September 30, 2016 and 2015 is as follows:

For the three months ended September 30, 2016	Language Training	Professional Development	Total
Tuition fees	4,570,902	2,105,047	6,675,949
Other income	2,019,993	405,150	2,425,143
	6,590,895	**2,510,197**	**9,101,092**

For the three months ended September 30, 2015	Language Training	Professional Development	Total
Tuition fees	8,784,319	1,913,494	10,697,813
Other income	2,357,471	748,248	3,105,719
	11,141,790	**2,661,742**	**13,803,532**

Direct costs were $ 7,817,189 for the three months ended September 30, 2016 compared to $ 11,464,677 for the three months ended September 30, 2015. Direct costs include expenses such as occupancy, teachers' salaries, agency commissions and other expenses that are directly related to revenues. The reduction in direct costs in the third quarter of 2016 compared to the same period in 2015 is approximately 32% while the reduction in revenue is approximately 34%. The difference between reduction in revenue and the direct costs is attributed to fixed elements in direct cost. Accordingly, gross margin has decreased from 17% for the three months ended September 30, 2015 to 14% for the three months ended September 30, 2016.

General and administrative expenses (G&A) were $ 3,007,831 for the three months ended September 30, 2016, compared to $ 4,854,530 for the same period in the prior year. G&A for school operations have declined by 38% and the decrease is attributed to various internal cost control measures implemented on all G&A expenses.

Analysis of Financial Performance for Nine Months Ended September 30, 2016 and 2015

Total revenue for the nine months ended September 30, 2016, was $23,633,926 compared to $33,580,693 for the same period in 2015.

The following table shows the Company's revenue for the nine months ended September 30, 2016, as compared to revenue for the three months ended September 30, 2015:

The decline in revenues when compared to the same period in the prior year is partially attributed to reduction in student volume due to closure of the 6 campuses in 2015 and revenue loss from the discontinued student agency operations. The six (6) closed campuses collectively contributed approximately $2,550,000 to the nine months' tuition revenue in 2015. Adjusting for the tuition revenues lost from closed schools, the adjusted decline in tuition revenue in the first and second quarter of 2016 compared to adjusted revenue in the first and second quarter of 2015 is approximately 22%.

The Company's tuition revenue is comprised of income from ESL, high school and career training education. The relative contributions of each towards revenue streams vary from year to year in line with the Company's acquisition of complementary language schools, career colleges and high schools. The breakdown of revenue by program for the nine months ended September 30, 2016 and 2015 is as follows:

For the nine months ended September 30, 2016	**Language Training**	**Professional Development**	**Total**
Tuition fees	13,392,139	5,374,397	18,766,536
Other income	3,673,479	1,193,911	4,867,390
	17,065,618	**6,568,308**	**23,633,926**

For the nine months ended September 30, 2015	**Language Training**	**Professional Development**	**Total**
Tuition fees	21,039,965	5,384,591	26,424,556
Other income	5,619,372	1,536,765	7,156,137
	26,659,337	**6,921,356**	**33,580,693**

Direct costs were $21,168,667 for the nine months ended September 30, 2016 compared to $30,449,252 for the nine months ended September 30, 2015. The reduction in direct costs in the nine months ended September 30, 2016 compared to the same period in 2015 is approximately 30% which is in line with the reduction in revenue is approximately 30%. The Company trying to achieve an reduce direct costs, in part by improving teacher to student ratio at each school, lower commissions and scholarships, promotions and sales incentive and a general reduction in occupancy costs from the closed campuses.

General and administrative expenses (G&A) were $ 10,105,563 for the nine months ended September 30, 2016, compared to $ 16,804,446 for the same period in the prior year. G&A for school operations have declined by 40% and the decrease is attributed to various internal cost control measures implemented on all G&A expenses.

Summary of Quarterly Results

	Sep. 30, 2016	June 30, 2016	Mar 31, 2015	Dec 31, 2015
Total Revenues	$ 9,101,092	$ 7,168,284	$ 7,364,550	$ 9,035,990
Net loss	$ (2,354,815)	$ (3,610,163)	$ (3,633,315)	$ (9,352,226)
Loss per share (basic and diluted)	$ (0.013), (0.013)	$ (0.020), (0.020)	$ (0.020), (0.020)	$ (0.054), (0.054)

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	Sep. 30, 2015	June 30, 2015	Mar 31, 2015	Dec 31, 2014
Total Revenues	$ 13,803,532	$ 10,456,378	$ 9,320,783	$ 11,306,083
Net Income (loss)	$ (3,321,567)	$ (17,098,174)	$ (5,942,910)	$ (22,729,394)
Income (loss) per share (basic and diluted)	$ (0.019), (0.019)	$ (0.095), (0.095)	$ (0.038), (0.038)	$ (0.152), (0.152)

Fluctuations in quarterly revenues are directly related to and in-line with seasonality of the ESL business. Generally, private ESL schools achieve the highest revenues in the third quarter and the lowest in the fourth on account of inherent seasonality of international ESL student demands. Acquisitions and/or dispositions may also contribute to fluctuations in quarterly results.

Liquidity, Capital Resources and Cash Flow

The Company's current liabilities exceed current assets by $ 22,248,568 as at September 30, 2016, compared to $ (16,352,832)as at December 31, 2015. The increase in the current liabilities is due to an advance of $2,742,500 as of September 30, 2016 from the discretionary, non-revolving demand credit facility, increase of $2.7 million in accounts payable and the bank overdraft of $1.3 million. The following table shows the Company's working capital position and shareholders' equity:

		30-Sep-16		31-Dec-15
Cash and cash equivalents	$	189,666	$	469,711
Inventory	$	218,391	$	267,275
Trade and other receivables	$	3,619,329	$	3,573,533
Prepaid expenses	$	1,755,002	$	2,386,597
Bank debt	$	12,957,759	$	8,879,961
Trade and other payables	$	7,581,645	$	4,846,470
Optimization Plan	$	0	$	593,287
Current taxes payable	$	6,076	$	6,076
Loan payable	$	711,256	$	711,256
Deferred revenue	$	6,715,966	$	7,952,996
Current portion of lease inducement	$	58,254	$	59,902
Current assets - current liabilities	$	-22,248,568	$	-16,352,832
Shareholders' equity	$	-25,482,248	$	-16,044,777

During the three months ended September 30, 2016, the Company used $1,723,440 in cash from operations compared to $4,624,731 in the same period in the prior year.

The Company's operations and acquisition activities have been financed through a combination of internal cash flow, private placement equity and debt financing.

As of September 30, 2016, the Company's current liabilities include $ 6,715,966 ($7,952,996 - December 31, 2015) relates to deferred revenue, which is expected to be settled through the performance of service in the normal course of business. The current liabilities also include $8,879,961 term loan acquisition facility which is subject to the terms of the amended forbearance agreement and $2,742,500 of Non-revolving demand credit facility. The borrowings of the Company under the forbearance agreement are secured by its lenders by a general security agreement ("GSA") over substantially all of the assets of the Company. Should the Company not meet its covenants or obligations under these borrowing agreements when due, there is the risk that its lenders may realize on its security and liquidate the assets of the Company.

The Company has no current commitments for capital expenditures as of the date hereof. Trade and other payables are due within the next 12 months. Convertible debentures that were issued on December 5, 2013 are due November 30, 2018, and are interest only, until their maturity date. The Company has not paid August 31, 2016 interest of $262,500 to the debenture holders. Convertible debentures that were issued on May 9, 2016 and September 14, 2016 are due May 8, 2017 and September 13, 2017, respectively, and their interest payments are due as of maturity dates. Preferred shares are due July, August and September 2017, and interest is paid or accrued on a quarterly basis. The dividends on these preferred shares are recognized in the consolidated statement of loss and comprehensive loss as interest expense. As at September 30, 2016, the Company did not meet the working capital ratio financial covenant and other covenants of its credit facility.

Management of Capital

The Company requires capital for operating purposes and to make acquisitions. The Company includes the following items in its managed capital:

		30-Sep-16		31-Dec-15
Bank debt	$	12,957,759	$	8,879,961
Loan payable		711,256		711,256
Convertible debenture		6,542,324		4,179,018
Preferred shares		7,529,553		7,361,551
Equity comprised of:				
Share capital		46,169,521		46,169,521
Equity component of convertible debt		1,266,093		1,113,449
Share-based payments reserve		536,082		527,904
Warrants reserve		705,612		933,459
Contributed surplus		489,676		261,829
Deficit		-74,553,509		-64,964,674
	$	**2,354,367**	**$**	**5,173,274**

The Company is subject to both internally and externally imposed capital requirements. The externally imposed capital requirements primarily relate to financial covenants in the Company's facility with senior lender, and the corresponding Forbearance Agreement (and Forbearance Amendment Agreement). In addition, certain of the Company's school operations require cash balances or letters of credit to be maintained in order to cover deferred revenue obligations.

The Company sets its capital structure in proportion to risk and it issued new common shares, and other forms of capital, including preferred shares, convertible debentures, and secured or unsecured debt instruments to meet these obligations

Commitments and contingencies

As at September 30, 2016, the Company has the following lease commitments.

2016	$	1,719,554
2017		4,578,018
2018		3,412,586
2019		2,781,137
2020		1,704,844
Thereafter		1,464,117
	$	15,660,255

The Company has claims filed against by former executives and landlords of the closed campuses. The total claims filed amount to $1,620,000. Litigation is subject to many uncertainties, and the outcome of these matters is not predictable with assurance. The Company, with the help of legal counsel, continues to defend the claims.

In the ordinary course of business activities, the Company may be contingently liable for litigation and claims with students, vendors and former employees. 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.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Subsequent Events

On September 26, 2016, made a press release announcing its plan for capital restructuring and debt settlement which is expected to reduce the Company's existing debt by approximately $20.2M offering equity conversion to holders of existing unsecured convertible debentures, subordinated loans and preferred shares and a debt settlement with company's senior lender. The proposed restructuring is subject to several conditions including the approval of the regulators and lenders. The management also has obtained a fairness opinion from an independent third party about the fairness of the offer. There is no assurance that any of the transactions proposed in the plan will be successfully completed.

Critical Accounting Estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates, assumptions and judgments that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting periods. The most significant estimates included in these consolidated financial statements are valuation of warrants, valuation of share-based compensation (options), recognition of deferred tax assets and liabilities, allocation of equity and liability components of convertible debt, useful life of tangible and intangible assets, assumptions used in impairment analyses and purchase price allocation. Actual results could differ from management's best estimates as additional information becomes available in the future. The Company's significant accounting policies are disclosed in Note 3 to the condensed consolidated financial statements for the three months ended September 30, 2016.

Financial Instruments and Other Instruments

All significant financial assets, financial liabilities and equity instruments of the Company are either recognized or disclosed in the consolidated financial statements together with other information relevant for making a reasonable assessment of future cash flows, interest rate risk and credit risk. Where practicable the fair values of financial assets and financial liabilities have been determined and disclosed, otherwise only available information pertinent to fair value has been disclosed.

In the normal course of business, the Company's assets, liabilities and forecasted transactions are impacted by various market risks, including valuation risks associated with inventory, revenues, cost of sales, capital expenditures, and interest earned on cash.

Related Party Transactions

The Company's key management personnel are those individuals that have the authority to make business decisions including former and current management, directors and executives.

As at September 30, 2016, the Company had a subordinated loan payable to a former officer in the amount of $729,756 (December 31, 2015 - $729,756) or $711,256 net of $18,500 of amounts owed by the former officer to the Company. The loan is subject to a subordination and postponement agreement which was executed as part of the private placement explained in Note 13. No payments on the loan will be made until the preferred shares are fully repaid. The Company incurred $NIL in interest and other costs related to the loan during the nine months ended September 30, 2016 (Nine months ended September 30, 2015- $59,672).

Key management personnel compensation is as follows:

Three months ended	Sep. 30, 2016	Sep. 30, 2015
Salaries and consulting fees	$ 260,730	$ 461,454
Share-based compensation	-	7,689
	$ 260,730	$ 469,143

Nine months ended	Sep. 30, 2016	Sep. 30, 2015
Salaries and consulting fees	$ 777,054	$ 1,930,730
Share-based compensation	1,585	64,927
	$ 778,639	$ 1,995,657

Trade and other payables include $519,990 (December 31, 2015 - $151,646) due to certain officers and directors, of which $254,584 (December 31, 2015 -$10,349) pertains to unpaid salaries.

A corporation related to a member of previous senior management of the Company provided student dormitory services to the Company from November 2014 to September 2015. The Company paid a total of $NIL rent related payments to the corporation during the nine months ended September 30, 2016 (Nine months ended September 30, 2015 - $274,700).

The Company paid $20,500 to a company, related to a close member of an officer of the Company for brand, website and social media consulting services during the nine months ended September 30, 2016 (Nine months ended September 30, 2015 - $NIL).

The Company borrowed and repaid $425,000 of short-term promissory notes to corporations that are related to an officer of the Company during the second quarter of 2016. The Company incurred and paid $6,000 of interest to the corporations during the quarter.

Three directors of the Company subscribed for $925,000 aggregate principal amount of debentures.

Adjustment

The Company identified some insignificant errors that required a restatement of previously issued financial statement which resulted in a clearer representation of the financial position and loss and comprehensive loss.

a) During the three months ended March 31, 2015, September 30, 2015 and September 30, 2015 certain cash amounts received by the Company in advance of providing services were recognized as an increase of revenue rather than as an increase of deferred revenue.

b) During the three months ended March 31, 2015, September 30, 2015 and September 30, 2015, intercompany textbook income was not eliminated.

	Three Months Ended Sep 30, 2015			
	As Previously Reported	**Adjustment (a)**	**Adjustment (b)**	**As adjusted**
Consolidated statement of financial position:				
Deferred revenue	10,816,607	(574,527)		10,242,080
Consolidated statement of loss and comprehensive loss:				
Other income				
Housing income	1,291,112	421,023		1,712,135
Textbook income	489,410	50,254	(154,647)	385,017
Other	619,698	103,250		722,948
Direct cost				
Other	2,831,831		(154,647)	2,677,184
Loss from continuing operations	(3,896,094)	574,527	-	(3,321,567)
Net loss	(1,648,093)	574,527	-	(1,073,566)
Comprehensive loss	(1,797,334)	574,527	-	(1,222,807)
Consolidated statement of cash flows:				
Change in working capital balances	(1,037,772)	(574,527)		(1,612,299)

	Nine Months Ended September 30, 2015			
	As Previously Reported	Adjustment (a)	Adjustment (b)	As adjusted
Consolidated statement of financial position				
Deferred revenue	17,109,100	282,601		17,391,701
Consolidated statement of loss and comprehensive loss				
Other income				
Housing income	3,853,861	(128,191)		3,725,670
Textbook income	1,365,428	(90,250)	(468,965)	806,213
Other	1,802,638	(64,160)		1,738,478
Direct cost				
Other	6,394,464		(468,965)	5,925,499
Loss from continuing operations	(26,080,050)	(282,601)	-	(26,362,651)
Net loss	(36,207,104)	(282,601)	-	(36,489,705)
Comprehensive loss	(36,023,661)	(282,601)	-	(36,306,262)
Consolidated statement of cash flows				
Change in working capital balances	4,122,100	282,601		4,404,701

Risk Factors

An investment in the Company's securities should only be considered by those investors who can afford a total loss of their investment. The risks presented below should not be considered to be exhaustive and may not represent all of the risks that the Company may face. Additional risks and uncertainties not presently known to the Company or that the Company currently considers immaterial may also impair the Company's business operations. If any of the risks described below or in the Company's other public filings occur, the Company's business, financial condition, results of operation or prospects could be materially adversely affected and the Company's ability to satisfy its obligations, or continue as a going concern could be threatened:

Fair value of financial Instruments

The fair values of trade and other receivables and trade and other payables approximate their carrying values due to the short-term maturity of those instruments. The fair values of loan receivable, short-term investments, non-current investments, short-term debt, loans payable, long-term debt, convertible debenture and preferred shares approximate their carrying values as they bear interest at market floating rates or fixed rates consistent with market rates for similar debt. The significance of inputs used in making fair value measurements are examined and classified according to a fair value hierarchy. Fair values of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly, and are based on valuation models and techniques where the inputs are derived from quoted indices. Level 3 valuations are based on inputs that are unobservable and significant to the overall fair value measurement. Cash and cash equivalents and short-term investments are considered level 1 in the fair value hierarchy.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations such as accounts payable out of cash. The Company's future liquidity is dependent on factors such as the ability to generate cash from operations and to raise money through debt or equity financing. The Company has disclosed in Note 2 to these condensed consolidated financial statements the existence of circumstances which cast significant doubt on its ability to continue as a going concern.

As of September 30, 2016, the Company's current liabilities exceed current assets by $ 22,248,568 (As of December 31, 2015, current liabilities exceed current assets by $16,352,832). Of this amount, $ 6,715,966 ($7,952,996 - December 31, 2015) relates to deferred revenue, which is expected to be settled through the performance of service in the normal course. The current liabilities also include $8,879,961 term loan acquisition facility which is subject to the terms of the amended forbearance Agreement and $2,742,500 of Non-revolving demand credit facility. The borrowings of the Company under the forbearance agreement are secured by its lenders by a general security agreement ("GSA") over substantially all of the assets of the Company. Should the Company not meet its covenants or obligations under these borrowing agreements when due, there is the risk that its lenders may realize on its security and liquidate the assets of the Company.

The Company has no current commitments for capital expenditures as of the date hereof. Trade and other payables are due within the next 12 months. Convertible debentures that were issued on December 5, 2013 are due November 30, 2018, and are interest only, until their maturity date. Convertible debentures that were issued on May 9, 2016 and June 14, 2016 are due May 8, 2017 and June 13, 2017, respectively, and their interest payments are due as of maturity dates. Preferred shares are due July, August and September 2017, and interest is paid or accrued on a quarterly basis. The dividends on these preferred shares are recognized in the consolidated statement of loss and comprehensive loss as interest expense. As at September 30, 2016, the Company did not meet the working capital ratio financial covenant and other covenants of its credit facility.

Total debt repayments is as follows:

	Bank debt	Loan payable	Convertible debenture	Preferred Shares	Total
Fiscal 2016	$ 12,957,759*	$ -	$ -	$ -	$ 12,957,759
Fiscal 2017	-	-	2,225,000	7,732,990	9,957,990
Fiscal 2018	-	-	5,250,000	-	5,250,000
Fiscal 2019	-	-	-	-	-
Fiscal 2020	-	-	-	-	-
Thereafter	-	711,256	-	-	711,256
Total	**$ 12,949,759**	**$ 711,256**	**$ 7,475,000**	**$ 7,732,990**	**$ 28,869,005**

*Bank debt includes bank overdraft of $1,335,298.

The future capital requirements of the Company will depend on many factors, including the rate of growth of its student base, the growth of the market for education services and the costs of administration. In order to meet such capital requirements, the Company may consider additional public or private financing (including the incurrence of debt and the issuance of additional common shares), which could entail dilution of current investors' interest in the Company. There can be no assurance that additional funding will be available or, if available, that it will be available on acceptable terms.

If adequate funds are not available, the Company may have to reduce substantially or otherwise eliminate certain expenditures. There can be no assurance that the Company will be able to raise additional capital if its capital resources are depleted or exhausted. Further, due to regulatory impediments and lack of investor appetite, the ability of the Company to issue additional common shares or other securities exchangeable for or convertible into common shares to finance acquisitions may be restricted.

Credit risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. For financial assets, this is typically the gross carrying amount, net of any amounts offset and any impairment losses. In the normal course of business, the Company is exposed to credit risk from its customers and the related accounts receivable are subject to normal industry credit risk. To mitigate this risk the Company reviews the creditworthiness of material new customers, monitors customer payment performance and, where appropriate, reviews the financial condition of existing customers. The Company establishes an allowance for doubtful accounts that corresponds to the specific credit risk of its customers and economic circumstances. The Company reduces its credit risk by maintaining its bank accounts and short-term investments at large financial institutions, and monitoring trade and other receivables. As at September 30, 2016 the allowance for doubtful accounts was $830,621 (December 31, 2015 - $432,708).

Currency risk

A significant change during the period in the currency exchange rates between the Canadian Dollar relative to the U.S. Dollar and Won would not have had a significant effect on the Company's results of operations during the nine months ended September 30, 2016 and 2015.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flow or fair values of financial instruments. The Company faces interest rate risk from its short- term investments and short and long term debt. As at September 30, 2016, a 1% appreciation (depreciation) in interest rates would results in a change in interest expense of approximately $130,000 . (December 31, 2015 - $88,800).

Capital management

The Company defines capital as bank debt, loan payable, debt component of convertible debenture, preferred shares, share capital, equity component of convertible debenture, share-based payments reserve, warrants reserve, contributed surplus, accumulated other comprehensive loss and the cumulative deficit which totals $2,218,876 (December 31, 2015 - $5,173,274). The Company sets its capital structure in proportion to risk. The Company continually monitors economic and general business conditions and makes adjustments accordingly to maintain or adjust the capital structure. To do so, the Company may issue new common shares, or other forms of capital, including preferred shares, convertible debentures, and secured or unsecured debts. The Company is subject to externally imposed capital requirements which are primarily related to financial covenants in the Company's credit facilities, and the corresponding Forbearance Agreement (and Forbearance Amendment Agreement). In addition, certain of the Company's school operations require cash balances or letters of credit to be maintained in order to cover deferred revenue obligations.

Operational risk to Optimization Plan and Other Performance Improvement Programs

The predicted performance improvements in the Company's Optimization Plan may not be fully realized due to operational risks. These operational risks are managed through establishment and continuous improvement of effective infrastructure and controls. Operational risk is managed through the establishment of effective infrastructure and controls. Key elements of the infrastructure and control are qualified, well-trained personnel, clear authorization levels and reliable technology. Controls established by documented policies and procedures include the regular examination of internal controls by internal employees as well as our auditors, segregation of duties, and dynamic financial management and reporting.

Going Concern Risk

The condensed consolidated financial statements for the three months ended September 30, 2016 have been prepared on a going concern basis in accordance with IFRS which presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. If the going concern basis was not appropriate for these condensed consolidated financial statements, then adjustments to the carrying value of the assets and liabilities would be necessary. Such adjustments could be material. For more information, please see Note 2 and Note 12 of the notes to the financial statements for the three months ended September 30, 2016.

Management is continuing to assess various strategies to improve operating results and cash flows and to adjust the Company's capital structure.

The Company been experiencing continuous loss and working capital deficiency for past many quarters and it is possible that it will experience losses in the future.

As at September 30, 2016, the Company's current liabilities exceed current assets by $22,248,568 (December 31, 2015 - $16,352,832). The Company has no current commitments for capital expenditures as of the date hereof. Trade and other payables together with the short-term loan are due within the next 12 months. Convertible debentures that were issued on December 5, 2013 are due November 30, 2018, and are interest only, until their maturity date. The Company has not paid August 31, 2016 interest of $262,500 to the debenture holders. Convertible debentures that were issued on May 9, 2016 and June 14, 2016 are due May 8, 2017 and June 13, 2017, respectively, and their interest payments are due as of maturity dates.

The outstanding preferred shares as at September 30, 2016 have a par value of $7,732,990 with a dividend rate of 9% per annum, which is either payable or accrued quarterly (on a cumulative basis). The preferred shares rank in priority to the common shares of the Company and have mandatory redemption privileges that require the Company to redeem all of the preferred shares on twenty-four months following the date of issuance.

The Company will require additional financing in order to support operations, fund any debt repayment, fund expansion, develop new or enhanced services, respond to competitive pressures, and acquire complementary businesses or to take advantage of unanticipated opportunities. The Company's ability to arrange such financing will depend in part upon the success of its existing and new program offerings and market developments. There can be no assurance that the Company will be successful in its efforts to arrange additional financing on terms satisfactory to the Company. If additional funds are raised through the issuance of equity securities, the percentage ownership of the shareholders of the Company will be reduced and shareholders may experience dilution in net book value per share. Debt financing, if available, may involve security on all or portions of the Company's assets and restrictive covenants. If the Company is unable to achieve sufficient profitability from its existing operations and is unable to obtain additional financing, management may be required to curtail or cease the Company's operations.

The Company is in breach of certain financial and other covenants under the Company's facility with the senior lender. As a result of these breaches, the senior lender and Company entered into a Forbearance Agreement the details of which are afore-noted. Any breach of the Agreement could result in a demand for payment by the senior lender which would have a material adverse effect on the Company's business, financial condition, prospects and operating results and the Company's ability to satisfy its obligations or continue as a going concern could be threatened. If the Convertible Debenture offering or other financing is not completed or approved and the Forbearance Agreement is not extended, the senior lender would be entitled to exercise their rights under the credit facility. The Company has no assurance that such actions will be successful. It is uncertain whether the Company could generate sufficient funds to repay the total amount owing to the senior lender, if and when required to do so.

The Company does not have adequate internally generated funds to maintain its operations on a daily basis. The daily working capital requirements of the Company are being met through an unsecured and unauthorized overdraft facility with a commercial bank (the Bank). This overdraft amount has reached $ 1,335,298 as of 30 September, 2016. There is extreme uncertainty surrounding the extent to which the bank will extend this overdraft facility to the Company. The management is in negotiation with the bank relating to this overdraft facility and no matter has been brought to the management's attention informing the cancellation of this overdraft facility.

The company may not be able to meet its debt obligations and repayments in the foreseeable future without raising additional capital. Management believes that there is lack of opportunity to raise additional debt or equity. The Company does not have adequate assets in the balance sheet which could be sold to raise funds.

Management has concluded that the combination of the above circumstances represent a material uncertainty that casts a significant doubt upon the company's ability to continue as a going concern and to meet its funding requirements and to refinance or repay its debt facilities as they fall due or demanded repayment. If for any reason the Company is unable to continue as a going concern, it could have an impact on the Company's ability to realize assets at their recognized values, in particular the capital assets, goodwill and other intangible assets and to extinguish liabilities in the normal course of business at the amounts stated in the consolidated financial statements.

Segregation of Duties

Certain duties within the Company's accounting and finance departments are not properly, nor can they be, segregated due to the limited number of individuals employed in these areas. These deficiencies may constitute a significant deficiency in internal control or a material weakness that may result in a material misstatement of the Company's annual or interim financial statements that would not be prevented or detected.

As the Company experiences future growth, management plans to expand the number of individuals involved in the accounting and finance functions. At the present time, the Chairman of the Board, Chief Executive Officer, Interim Chief Financial Officer and VP of Finance oversee all material transactions and related accounting records. In addition, the Audit Committee reviews financial statements of the Company on a quarterly basis and queries management about significant transactions entered into during each quarter.

Government Regulation

The Company's ability to earn revenue from international students is dependent, to a significant degree, on the continued availability of student and visitor visas granted by the government of Canada. New regulations concerning student visas (also known within Canada as "Study Permits") came into effect on June 1, 2014 under Citizenship and Immigration Canada's new International Students Program.

The changes require that, in order to maintain their legal status, all holders of Study Permits must be enrolled and actively pursuing a course or program of study at a designated educational institution upon arriving in Canada. Institutions are designated by provincial/territorial governments, and only students admitted to such institutions will be able to secure a Study Permit or Work Permit.

While the Company's ESL schools currently qualify as designated educational institutions under the new provincial mandate, any loss of such status will have a material and adverse effect on an individual school's results of operations. No assurance can be given that governments in Canada will not establish regulations governing ESL schools and the teaching of ESL.

In British Columbia, schools that offer career training programs that are in excess of 40 hours are registered with the Private Career Training Institutions Agency of British Columbia ("PCTIA"). Some of the Company's schools located in British Columbia are PCTIA accredited, which requires them to maintain additional quality standards in addition to the basic registration requirements. The inability of a school to comply fully with PCTIA's registration requirements may have a material adverse effect on the Company's results of operations.

Certain of the Company's Ontario schools are regulated by the Ministry of Advanced Education and Skills Development (previously Ministry of Training Colleges and Universities - the "MTCU") for its International Student Program (ISP) and our schools must meet the MTCU requirements, which could change from time to time. The Company's ability to earn revenue from international students is also dependent to a significant degree on the continued willingness of the governments in the countries where such students come from, primarily Saudi Arabia, the United Arab Emirates and Qatar, to continue to fund the tuition fees of such students.

No assurance can be given that government regulation of international students coming to Canada will not be amended or expanded in such a manner as to have a material adverse effect on the Company's operations, business, financial condition, results of operation or prospects. The Company recognizes, however, that governments at all levels know of and welcome the benefits international students bring to Canada.

Historical Results may not be Indicative of Future Performance

The Company's growth in terms of employees, operations and revenues has been significant since the reverse take-over business combination (the "RTO") with McKinsey International College The Language School Inc. ("McKinsey"), pursuant to which the Company acquired 96.2% of the outstanding shares of McKinsey, December 2010. The Company's revenue from tuition fees increased from $4,149,138 in the fiscal year ended December 31, 2011, to $12,767,184 in 2012, $25,990,640 in 2013, and to $52,280,376 in 2014 and decrease to $34,232,465 in 2015. Any evaluation of the Company's business and its prospects must be considered in light of the risks and uncertainties typically encountered by companies at the Company's stage of development. Furthermore, the Company's results of operations may vary from period to period in response to a variety of factors beyond its control, including general economic conditions, regulations or government actions pertaining to the private education service sector in the provinces in which the Company operates, changes in spending on private education, its ability to control costs and operating expenses, and non-recurring charges incurred in connection with acquisitions or resulting from unexpected circumstances. As a result, the Company believes that its historical financial and operating results, growth rates and profitability may not be indicative of the Company's future performance and investors should not rely on the Company's past results or its historic growth rates as indications of the Company's future performance.

Acquisition Risks

In addition to organic growth, the Company's expansion to date has been driven by the acquisition of existing schools. If the Company is unable to successfully integrate acquired schools, the Company's business, financial condition, results of operation or prospects could be materially adversely affected and the Company's ability to satisfy its obligations or continue as a going concern could be threatened. In addition, if the schools that the Company acquires do not subsequently generate the anticipated financial performance or if the goodwill and other intangible assets associated with acquisitions become impaired, the Company may need to revalue or write down the value of such goodwill and other intangible assets in connection with such acquisitions, which would negatively impact the Company's business, financial condition, results of operation or prospects.

Sufficiency of insurance

The Company carries various forms of insurance to protect itself from a variety of insurable risks. However, such coverage may not be sufficient in extreme circumstances and accordingly there exists a risk to the Company. While the Company cannot reasonably insure itself for all events, it regularly reviews the availability, scope and amounts of coverage with its professional advisors and implements an approach balancing both cost and risk.

Attract and Maintain Student Enrollment

The success of the Company's business depends primarily on the number of students enrolled in its courses. Accordingly, the Company's ability to continue to attract students to enroll in its courses is critical to the continued success and growth of the Company's business. This in turn will depend on several factors, including the Company's ability to develop new programs and enhance existing programs to respond to changes in market trends and student demands, expand the Company's geographic reach, manage the Company's growth while maintaining consistent and high teaching quality, effectively market its programs to a broader base of prospective students, develop additional high-quality educational content and respond effectively to competitive pressures. The Company constantly reviews, adopts, expands and enhances its program to attract and increase student enrollment. If the Company is unable to continue to attract students to enroll in its courses, the Company's revenues may decline, which may have a material adverse effect on the Company's business, financial condition, results of operation or prospects and the Company's ability to satisfy its obligations or continue as a going concern could be threatened.

Competition

The Company faces competition in each type of service that it offers and in each geographic market in which it operates. The Company's student enrollment may decrease due to intense competition. Some of the Company's competitors may have more resources than it does. These competitors may be able to devote greater resources than the Company can to the development, promotion and sale of their programs, services and products and respond more quickly than it can to changes in student needs, testing materials, admission standards, market trends or new technologies. In addition, some smaller local companies may be able to respond more quickly to changes in student preferences. Moreover, the increasing use of the Internet coupled with advances in Internet and computer-related technologies, such as web video conferencing and online testing simulators, are eliminating geographic and physical facility-related entry barriers to providing private education services. As a result, smaller local companies may be able to use the Internet to quickly and cost-effectively offer their programs, services and products to a large number of students with less capital expenditure than previously required. Consequently, the Company may be required to reduce course fees or increase spending in response to competition in order to retain or attract students or pursue new market opportunities, which could result in a decrease in the Company's revenue and profitability.

The Company will also face increased competition as it rationalizes its operations. The Company cannot assure investors that it will be able to compete successfully against current or future competitors. If the Company is unable to maintain its competitive position or otherwise respond to competitive pressures effectively, it may lose market share and its business, financial condition, results of operation and prospects could be materially adversely affected and the Company's ability to satisfy its obligations or continue as a going concern could be threatened.

Need to Update and Improve Course Content

The Company constantly updates and improves the content of its existing courses and develops new courses or introduces new services to meet market demands. Revisions to the Company's existing courses and its newly developed courses or services may not always be well received by existing or prospective students. If the Company cannot respond effectively to changes in market demands, its business may be adversely affected. Even if the Company is able to develop new courses or introduce services that are well received, it may not be able to introduce them as quickly as its students may require. If the Company does not respond adequately to changes in market requirements, its ability to attract and retain students could be impaired which may have a material adverse effect on the Company's business, financial condition, results of operation or prospects and the Company's ability to satisfy its obligations or continue as a going concern could be threatened.

Offering new courses or services or modifying existing courses may require the Company to make investments in content development, increase marketing efforts and re-allocate resources away from other uses. The Company may have limited experience with the content of new courses or new services and may need to modify its systems and strategies to incorporate them into its existing offerings. If the Company is unable to improve the content of its existing courses, offer new courses or introduce new services on a timely basis and in a cost-effective manner, the Company's business, financial condition, results of operation and prospects could be materially adversely affected.

Maintain and Enhance Brands

The Company believes that market awareness of its various brands has contributed to the success of its business, and that maintaining and enhancing the Company's brands is critical to maintaining its competitive advantage. The Company relies mainly on commission-based foreign agents and word-of-mouth referrals to attract prospective students. The Company also uses marketing tools such as attendance at internationally recognized trade shows and student fairs in Asia, Europe and South America, the Internet, public lectures, outdoor advertising campaigns and distribution of marketing materials to promote its brands and service offerings. In order to maintain and increase the Company's brand recognition and promote its new service offerings, the Company has maintained its marketing personnel and various strategic expenses over the last year.

As the Company continues to evaluate and manage its course offerings and extend its geographic reach, it becomes all the more important to maintain quality and uniform standards of the Company's courses and to protect and promote its brands.

Need to Retain Students

The success of the Company's business depends on its ability to deliver a satisfactory learning experience and successful student outcomes. Student satisfaction with the Company's services may decline. A student's learning experience may also suffer if his or her relationship with the Company's teachers does not meet expectations. The Company may offer refunds for remaining classes to students who decide to withdraw from a course, although historically we have been successful in steering students to other schools of the Company. If a significant number of students fail to achieve their objectives after attending the Company's courses or if their learning experiences are unsatisfactory, they may decide not to continue to enroll in the Company's courses and request refunds which could have a material adverse effect on the Company's business, financial condition, results of operations, prospects and reputation.

Managing the Growth

The Company's business has experienced significant growth in recent years. While the Company has no plans to continue to expand its overall operations at this time, any expansion would be driven primarily by the acquisition of existing schools. However, the Company could also expand by establishing new schools. Establishing new schools would pose challenges and require the Company to make investments in management, capital expenditures, marketing expenses and other resources. This would result in substantial demands on the Company's management and staff as well as its financial, operational, technological and other resources. New schools typically incur pre-opening costs and may incur losses during the initial ramp-up stage since the Company would incur rent, salary and other operating expenses for new schools regardless of any revenue that the Company may generate. If the ramp-up is slower than expected, whether due to the Company's inability to attract sufficient student enrollment or charge rates for its courses that are high enough to recover its costs, the Company's overall financial performance may be materially and adversely affected. Any such expansion would also place significant pressure on the Company to maintain teaching quality and uniform standards, controls and policies to ensure that its brands do not suffer as a result of any decrease, whether actual or perceived, in the quality of its programs.

To manage and support any such expansion, the Company would have to improve its existing operational, administrative and technological systems and its financial and management controls, and recruit, train and retain additional qualified teachers and management personnel as well as other administrative and marketing personnel. If the Company expands in this manner, the Company cannot assure investors that it would be able to effectively and efficiently manage the growth of its operations, maintain or accelerate its current growth rate, maintain or increase its gross and operating profit margins, recruit and retain qualified teachers and management personnel, successfully integrate new schools into its operations and otherwise effectively manage its growth. The Company's failure to effectively and efficiently manage any expansion may adversely affect the Company's ability to capitalize on new business opportunities, which in turn may have a material adverse effect on the Company's business, financial condition , results of operation or prospects and the Company's ability to satisfy its obligations or continue as a going concern could be threatened.

Retaining the Senior Management

The Company's future success depends on the continuing services of the members of its senior management team. If a member of the Company's senior management team leaves and the Company fails to effectively manage the transition to a replacement or if it fails to attract and retain qualified and experienced professionals on acceptable terms, the Company's business, financial condition, results of operations and prospects could be materially adversely affected. Competition for experienced management personnel in the education industry is intense, and the Company may not be able to retain the services of its senior executives or key personnel, or attract and retain high quality senior executives or key personnel in the future.

The Company's success also depends on it having highly trained financial, technical, human resource, sales and marketing staff, management personnel and qualified teachers for local markets. The Company will need to continue to hire additional personnel as its business grows. A shortage in the supply of personnel with requisite skills or the Company's failure to recruit them could impede its ability to increase revenues from its existing courses and services, to launch new course and service offerings and to expand its operations, which would have a material adverse effect on the Company's business , financial condition, results of operation and prospects.

Accidents or Injuries Suffered on the Company's Premises

Even though the Company carries liability insurance for its premises, in the event of accidents or injuries or other harm to students or other people on its premises, including those caused by or otherwise arising from the actions of the Company's employees or contractors on its premises, the Company's facilities may be perceived to be unsafe, which may discourage prospective students from attending its courses. The Company could also face claims alleging that it was negligent, provided inadequate supervision to its employees or contractors and should be held wholly or partly liable for harm caused by them or that it is otherwise liable for injuries suffered by its students or other people on its premises. A liability claim against the Company or any of its teachers or independent contractors could adversely affect the Company's reputation, enrollment and revenue. Even if unsuccessful, such a claim could create unfavorable publicity, cause us to incur substantial expenses and divert the time and attention of the Company's management and could have a material adverse effect on the Company's business, financial condition, results of operation or prospects.

Leasing Risks

All of the Company's offices and schools are presently located on leased premises. At the end of each lease term, which generally ranges from two to five years, the Company must negotiate an extension or renewal of the lease and, if the Company is not able to do so on terms acceptable to it, the Company will be forced to move to a different location, or the rent may increase significantly. This could disrupt the Company's operations and adversely affect its profitability. All of the Company's leases are subject to renewal at market prices, which could result in a substantial rent increase at each time of renewal. The Company competes with many other businesses for sites in certain highly desirable locations and some landlords may have entered into long-term leases with its competitors for prime locations. As a result, the Company may not be able to obtain new leases at desirable locations or renew its existing leases on acceptable terms or at all, which could materially adversely affect the Company's business, financial condition, results of operations or prospects and the Company's ability to satisfy its obligations or continue as a going concern could be threatened.

Capacity Constraints

The teaching facilities of the Company's physical network are limited in size as are the number of classrooms that it has. The Company may not be able to admit all students who seek to enroll in its courses due to the capacity constraints of its teaching facilities. This would deprive the Company of the opportunity to serve such students and to potentially develop a long-term relationship with them for continued services. If the Company fails to expand its physical capacity as quickly as the demand for its classroom-based services grows, the Company could lose potential students to its competitors, and the Company's business, financial condition, results of operation and prospects could be materially adversely affected as a result.

Intellectual Property Risks

The Company considers its copyrights, trademarks, trade names and Internet domain names invaluable to its ability to continue to develop and enhance its brand recognition. Unauthorized use of the Company's copyrights, trademarks, trade names and domain names may damage its reputation and brand. The Company has registered for trademark protection in Canada in respect of certain of its brands and logos. The Company's proprietary curricula and course materials are to some extent protected by copyrights. However, detecting and preventing copyright, trademark and trade name infringement or misuse could be difficult, costly and time-consuming. The measures the Company takes to protect its copyrights, trademarks and other intellectual property rights may not be adequate to prevent unauthorized uses.

If the Company is unable to adequately protect its intellectual property rights, the Company may lose these rights, its brands may be harmed, and its business could be materially adversely affected. Furthermore, management's attention may be diverted by violations of the Company's intellectual property rights, and the Company may be required to enter into costly litigation to protect its proprietary rights against any infringement or violation.

Use of Third Party Intellectual Property

The Company cannot assure that its course materials, online platforms or other intellectual property developed or used by it do not or will not infringe upon valid copyrights or other intellectual property rights held by third parties. The Company may encounter disputes over rights and obligations concerning intellectual property, and it may not prevail in those disputes. The Company's teachers may, against the Company's policies, use third-party copyrighted materials without proper authorization in the Company's classes or the Company's students may post unauthorized third-party content on the Company's websites. The Company may incur liability for unauthorized duplication or distribution of materials posted on its websites or used in its classes. Third parties may bring claims against the Company alleging its infringement of their intellectual property rights. Any such intellectual property infringement claim could result in costly litigation and divert management's attention and resources and could have a material adverse effect on the Company's business, financial condition, results of operation or prospects.

Fluctuations in Results

The Company's revenues and operating results may fluctuate as a result of seasonal variations in its business, principally due to changes in student enrollments. In addition, the Company remains susceptible to global economic conditions, as well as those factors that affect the influx of international students to Canada and the continuity of its earnings. These factors, over which the Company has limited or no control, may result in volatility or have an adverse effect on the market price of the Company's common shares. In addition, comparisons of the Company's operating results between different periods within a single financial year, or between the same periods in different financial years, may not be meaningful and should not be relied upon as good indicators of the Company's overall performance.

Accounts Receivable

The Company's revenue from international students is derived from foreign governments, students' families and corporations who pay tuition fees for students. Student visas issued to foreigners by the Canadian government require enrolment in an educational program and delinquent payments result in immediate expulsion of the student from the school and termination of the student visa. This substantially reduces the risk of non-payment of fees in the case of students' families and corporations. With respect to foreign governments, however, payment is frequently received only after the school period has already been completed. Accordingly, there is a risk of non-payment, considered by management to be remote, which could have a material adverse effect on the Company's business, financial condition, results of operation or prospects and the Company's ability to satisfy its obligations or continue as a going concern could be threatened.

Labour Relations

Teachers' salaries expense is one of the Company's major expenses. As at September 30, 2016, three of the Company's schools, CAC in Ontario, PGIC and KGIC in British Columbia are unionized. In addition, PGIC was unionized prior to being acquired by the Company but the union was voluntarily decertified in May 2011. CAC was unionized on December 9, 2013 pursuant to a decision of the Ontario Labour Relations Board. Unions can give rise to risk of labour stoppages and other collective actions which could have a material adverse effect on the Company's business, financial condition, results of operation or prospects.

Ability to Maintain Good Relationships with Franchisees

The viability of any franchising business depends on the Company's ability to establish and maintain good relationships with franchisees. The effectiveness of the Company's management, the value of the Company's brands and the rapport that it maintains with any franchisees impact renewals and are all important factors for any franchisees considering doing business with the Company. If the Company is unable to maintain good relationships with any franchisees, the Company may be unable to renew existing agreements or expand its relationships with these franchisees. Additionally, the Company's opportunities for developing new relationships with additional third parties may be adversely impacted.

Franchisees Could Adversely Affect the Company's Brands and its Reputation

If a franchisee were to engage in unauthorized or unlawful conduct, the general public may associate this conduct with the Company's brands, and negative publicity associated with this conduct could affect the reputation and success of any or all of the Company's brands. The Company's business may also be adversely affected if its franchisees do not provide services in a manner consistent with the Company's standards and requirements. In addition, a liability claim against a franchisee or any of their personnel may result in unfavorable publicity for any or all of the Company's brands, whether or not the claim is successful.

Competition for Franchise Agreements

The Company may be required to agree to limitations on the expansion of one or more of its brands in certain geographic areas in order to obtain a franchise agreement. The Company may be prohibited from franchising, owning or operating schools in areas where opportunities exist due to these restrictions. If the programs that the Company franchises perform less successfully than those of its competitors, the Company's ability to compete effectively for new franchise agreements could be reduced.

Applicability of Franchise Laws and Regulations

As a franchisor, the Company may be subject to provincial, federal and international laws regulating the offer and sale of franchises. These laws frequently apply standards to the relationship between franchisor and franchisee. Any legal and/or regulatory uncertainty could negatively affect the Company through increased operating costs, which could have a material adverse effect on the Company's results of operation and financial condition. The Company will take adequate measures to monitor and observe the changing legal and regulatory items both at home and abroad to ensure compliance. This also includes ensuring of sufficient insurance and other protective policies by the franchises as stipulated in the franchise agreement by the Company.

Insufficient Insurance Coverage by the Company's Franchisees

If a franchisee does not have adequate insurance coverage, any loss incurred by such franchisee could exceed policy limits and/or policy payments made to the franchisee may not be made on a timely basis. Any such loss or delay in payment could have a material adverse effect on a franchisee's ability to satisfy its obligations under its franchise arrangement, including its ability to make royalty payments, which could have a material adverse effect on the Company's business, financial condition, results of operation or prospects and the Company's ability to satisfy its obligations or continue as a going concern could be threatened.

Ability of Franchisees to Implement Improved Programs and Business Practices

The Company is dependent on the willingness of any franchisees to adopt and effectively implement improved programs and business practices that the Company develops in order to increase franchised-based revenues and resulting royalties paid to it. However, franchisees often are not required to adopt these practices and they may adopt and implement the Company's programs and business practices more slowly than the Company anticipates, or not at all. Any of these delays or failures could result in lower franchised-based revenues and royalties paid to the Company, which could have a material adverse effect on the Company's business, financial condition, results of operation or prospects and the Company's ability to satisfy its obligations or continue as a going concern could be threatened.

Occupancy Risks Associated with the Company's Student Housing Facilities

All of the Company's student housing facilities are presently located in leased premises. At the end of each lease term, the Company must often negotiate an extension or renewal of the lease and, if the Company is not able to do so on terms acceptable to it, the Company could be forced to relocate the facilities to other locations, or accept a substantial increase in rent. This could disrupt the Company's operations and adversely affect its business, financial condition and prospects.

Occupancy Risks Associated with the Company's Student Housing Facilities

Occupancy and rental rates of the Company's student housing properties may fluctuate depending on a number of factors, including market and economic conditions, and may significantly reduce the Company's revenues from these properties which could have a material adverse effect on the Company's business, financial condition, results of operation or prospects.

Accidents or Injuries Suffered within the Company's Student Housing Facilities

Even though the Company carries liability insurance for the premises on which its student housing facilities are located, in the event of accidents or injuries or other harm to students or other people on such premises, including those caused by or otherwise arising from the actions of the Company's employees or contractors on such premises, the Company's student housing facilities may be perceived to be unsafe, which may discourage prospective students from renting space in its student housing facilities. The Company could also face claims alleging that it was negligent, provided inadequate supervision to its employees or contractors and should be held wholly or partly liable for harm caused by them or that it is otherwise liable for injuries suffered by the Company's students or other people on its student housing premises. A liability claim against the Company or any of its employees or independent contractors could have a material adverse effect on the Company's reputation, enrollment, business, financial condition, results of operation or prospects and the Company's ability to satisfy its obligations or continue as a going concern could be threatened. Whether or not such a claim is justified or successful, an adverse claim could create unfavorable publicity, cause the Company to incur substantial expenses and divert the time and attention of the Company's management.

No Dividends

The Company has not paid cash dividends on its Common Shares since the completion of the RTO. The Company currently intends to retain future earnings, if any, to fund the development and growth of its business and repay outstanding indebtedness. The payment of future Common Share dividends will be reviewed periodically by the board of directors. A holder of the Company's Common Shares should not expect to receive any dividends on such Common Shares for the foreseeable future and the success of an investment in the Company's Common Shares will depend upon future appreciation in the Company's value. There is no guarantee that the Company's Common Shares will appreciate in value or maintain the price at which they were purchased.

Analyst Reports

The trading price of the Company's Common Shares will be influenced by the research and other reports that industry or securities analysts publish about the Company, its business, its market or its competitors. If any of the analysts who cover the Company changes his recommendation regarding the Company's stock adversely, or provides more favourable relative recommendations about its competitors, the Company's stock price may decline. If any analyst who covers the Company were to cease such coverage or fail to regularly publish reports on the Company, the Company could lose visibility in the financial markets, which in turn could cause its stock price and/or trading volume to decline.

Foreign Operations and Activities

The Company's operations are currently conducted in Canada and the Company has agreements with commission-based recruitment agents in South Korea, Taiwan, Turkey, Brazil, China, Mexico, Ecuador, Venezuela and other countries and marketing offices in South Korea, Taiwan and Japan. As a result of the Company's activities in multiple jurisdictions, the Company is exposed to various levels of political, economic and other risks and uncertainties.

These risks and uncertainties vary for each country and include, but are not limited to: fluctuations in currency exchange rates; currency controls; high inflation and the Company's ability to recover inflation-related cost increases; labour unrest; delays in obtaining or the inability to obtain governmental licenses and permits; corruption; higher rate of criminality; unstable or unreliable legal systems; changes in the taxation regimes; arbitrary changes in laws or policies; restrictions on foreign exchange and repatriation; political, civil and economic instability and uncertainty; and other risks associated with foreign sovereignty issues and conducting business internationally. Furthermore, in the event of a dispute arising from the Company's activities, the Company may be subject to the exclusive jurisdiction of courts outside of Canada or may not be successful in subjecting persons to the jurisdiction of courts in Canada, either of which could unexpectedly and adversely affect the outcome of a dispute.

The Company faces challenges inherent in efficiently managing employees over large geographical distances, including the challenge of staffing and managing operations in several international locations and implementing appropriate systems, policies and compliance programs. These challenges may divert management's attention to the detriment of the Company's operations in Canada. There can be no assurance that difficulties associated with the Company's foreign operations can be successfully managed. Expansion of the Company's business in non-traditional markets is an important element of its strategy and, as a result, the Company's exposure to the risks described above may be greater in the future. The likelihood of such occurrences and their potential effect on the Company vary from country to country and are unpredictable, however, the occurrence of any such risk could have a material adverse effect on the Company's business, financial condition, results of operation or prospects and the Company's ability to satisfy its obligations or continue as a going concern could be threatened.

Long term Outlook

Management is confident that the Company is well positioned for sustained growth in the long term. The Company's strong reputation and its credibility with Canadian and international government authorities provide a solid base for the realization of future revenues. The Company plans to leverage the proven management skills and the international reputation of the new CEO and the team to expand the business both for revenue and earnings for the benefit of the shareholders. To ensure the Company is positioned to respond to market requirements, the Company will focus on the execution of the following key strategies:

Customer retention: through continued delivery excellence maintain a valued relationship with current customer base;

Customer diversification: through increasing the percentage of its revenues derived from new business and balance customer revenue into numerous global and domestic sectors;

Continue investment in course and service offerings and the technologies to increase differentiation from competition and improve gross margin attainment;

Continuous process improvement: leverage innovation to improve how the company operates with a goal to streamline processes and provide for a scalable capacity with an optimum cost structure.

Constantly optimize the cost of the capital employed to yield better return to the shareholders

Continues improvement of employees' morale to provide a great service to students and the strategic partners in domestic and international

The company has completed four acquisitions in the past 3 years, and will proactively look for companies that can accelerate its growth strategy with a focus on customer diversification and service line evolution.

Outstanding Capital

Outstanding Capital	**August 16, 2016**	**September 30, 2016**	**December 31, 2015**
Common shares – number	179,169,923	179,169,923	179,169,923
Warrants	65,719,226	65,719,226	66,434,226
Options	50,000	160,000	430,000
Preferred shares	773,299	773,299	773,299

Comparative Figures

Certain comparative figures were reclassified to conform to the current year's financial statement presentation.

Other

Additional information relating to the Company can be found on SEDAR at www.sedar.com.

Exhibit "C"

KGIC Inc. (formerly, Loyalist Group Limited)
For Immediate Release
TSX Venture Exchange
Symbol "LRN"

KGIC Inc. Announces Plan for Capital Restructuring and $20.2M Debt Settlement

TORONTO, ONTARIO-- (Marketwired – September 26, 2016) – KGIC Inc. ("KGIC" or the "Company") (TSX Venture: LRN) announces that it plans to execute a capital restructuring and debt settlement plan (the "Debt Settlement Plan") that it expects will preserve the value to the existing stakeholders, by improving the balance sheet and debt-equity ratio and facilitate required financing.

The Debt Settlement Plan is expected to reduce the Company's existing debt by approximately $20.2M by offering equity conversion to holders existing unsecured convertible debentures (the "Debentures"), subordinated loans and preferred shares (collectively, the "Unsecured Debt Securities") and a debt settlement with Bank of Montreal ("BMO"), the Company's senior lender.

BMO has agreed to enter into a debt settlement agreement with the Company, pursuant to which it will reduce the debt owing by the Company by $5.4M and the Company will pay the balance owing in cash, subject in all respect to the successful restructuring of the Unsecured Debt Securities and necessary financing. The Debt Settlement Plan requires substantial participation from holders of Unsecured Debt Securities.

The Company has also made an offer to holders of the Unsecured Debt Securities, representing approximately $14.8M inclusive of accrued interest and dividends as of September 30, 2016, pursuant to which the Company has proposed to settle the Unsecured Debt Securities by issuing approximately 74,200,000 common shares.

In connection with the proposed restructuring of the Debentures in the principal amount of $5.25M, the Company intends to amend the terms of the debenture indenture governing the terms of the Debentures dated December 5, 2013, to authorize the Company to redeem the Debentures, in whole or in part, at a price equal to the principal amount thereof plus accrued and unpaid interest thereon at any time from time to time and elect to satisfy its obligation to pay all or any portion of the principal amount of Debentures and the accrued but unpaid interest thereon due upon redemption by issuing and delivering to holders of the Debentures that number of common shares obtained by dividing the principal amount of the redeemed Debentures and accrued but unpaid interest by $0.20. The Debentures will continue to bear interest at 7.5% per annum and will mature on November 30, 2018.

"With the successful execution of the Debt Settlement Plan, Management is confident that the impending financing of the Company will not only accelerate the Company's growth plans but also strengthen our position in the education market," said Alex MacGregor, President and Chief Executive Officer.

It is anticipated that the closing of the transactions contemplated by the Debt Settlement Plan will occur by the end of October 2016. The transactions contemplated by the Debt Settlement Plan, of which the Company has received conditional approval by TSX Venture Exchange, are subject to certain conditions, including obtaining the final approval of the TSX Venture Exchange and all other required governmental, regulatory, and third party approvals, as applicable. The Company can give no assurances that any of the transactions contemplated by the Debt Settlement Plan will be successfully completed. If not completed, the Company's ability to continue as a going concern may be significantly affected.

About KGIC Inc.

KGIC Inc. is an educational organization that provides premium education services at its private English as a Second Language ("ESL") Schools, High School, Career Colleges and Community Colleges across Canada in Ontario and British Columbia. The Company owns and operates twenty-one (21) campuses in Ontario and British

Columbia and enrolls approximately 20,000 students yearly in various English language and career training educational courses.

For further information, please contact:

Alex MacGregor
Chief Executive Officer
KGIC Inc.

T: (416) 969-9800
E: amacgregor@loyalistgroup.com

Forward-Looking Information and Statements

This news release includes certain forward-looking information and statements within the meaning of Canadian securities laws. Such forward-looking information and statements are not representative of historical facts or information or current condition, but instead represent only the Company's beliefs regarding future events, plans or objectives, many of which, by their nature, are inherently uncertain and outside of the Company's control. Generally, such forward-looking information or statements can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or may contain statements that certain actions, events or results "may", "could", "would", "might" or "will be taken, "will continue", "will occur" or "will be achieved". The forward-looking information contained herein includes information relating to the Company's proposed restructuring and debt-settlement plans. By identifying such information and statements in this manner, the Company is alerting the reader that such information and statements are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such information and statements.

Any number of important factors could cause actual results to differ materially from these forward-looking statements as well as future results including, but not limited to, risks relating to: the Company's ability to complete any proposed recapitalization or restructuring activities (including the Debt Settlement Plan) on terms acceptable to the Company or at all and the expected cost savings related thereto; the Company's ability to service its outstanding indebtedness and the impact of that indebtedness on the Company's ability to raise additional capital, fund and maintain operations or meet business objectives; the Company's ability to comply with the terms of the amended forbearance agreement with Bank of Montreal and the consequences of any breach or default thereunder; the Company's ability to successfully exit forbearance; the fact that new management of the Company, including the recently appointed Chief Executive Officer, have had limited experience with the Company and its operations and have not had sufficient time to fully analyze all facets of the Company's business; the impact of negative or unfavourable rumours in the marketplace on the Company's brands and student enrollment; any of the Company's announced or proposed acquisitions failing to close or becoming delayed before closing; carrying on business and activities in international jurisdiction where Canadian laws do not apply; any loss of certain key personnel; levels of student enrolment; delays in rolling out online education programs; delays to the completion of any planned initiatives or the inability to complete those initiatives; competition in the educational services market; and currency fluctuations. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in the forward-looking information and statements, there may be other factors that cause results not to be as anticipated, estimated or intended. Although the Company believes that the assumptions and factors used in preparing, and the expectations contained in, the forward-looking information and statements are reasonable, undue reliance should not be placed on such information and statements, and no assurance or guarantee can be given that such forward-looking information and statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information and statements. Accordingly, readers should not place undue reliance on any forward-looking information or statements contained in this press release.

The forward-looking information and statements contained in this press release is made as of the date hereof, and the Company does not undertake to update any forward-looking information and/or statement that is contained or referenced herein, whether as a result of new information, future events or otherwise, except in accordance with applicable securities laws. All subsequent written and oral forward looking information and statements attributable to the Company or persons acting on its behalf is expressly qualified in its entirety by this notice.

Caution Regarding Non-IFRS Financial Measures – The Company references certain measures in this press release, which do not have a standardized meaning as prescribed by International Financial Reporting Standards ("IFRS") and are unlikely to be comparable to similar measures presented by other issuers. These non-IFRS measures have been presented in this press release in order to provide shareholders and potential investors with additional information regarding the Company, but should not be considered in isolation or as a substitute for, or more meaningful than, measures prepared in accordance with IFRS, such as net income (loss) or cash flow from operating activities. Please refer to the Company's Management's Discussion and Analysis as at and for the three and nine months ended September 30, 2015 for a reconciliation of these non-IFRS measure to measures prescribed by IFRS.

Exhibit "D"

KGIC Inc.
For Immediate Release
TSX Venture Exchange
Symbol "LRN"

KGIC Announces New Interim Credit Facility and Amended Forbearance Agreement

TORONTO, ONTARIO–(Marketwired – February 17, 2016) – KGIC Inc. ("KGIC" or the "Company") (TSXV: LRN) wishes to update shareholders on the following key matters affecting the Company:

- The Company has entered into an amended and restated forbearance agreement with the Bank of Montreal ("BMO"), a copy of which is available on SEDAR at www.sedar.com (the "Amended Forbearance Agreement"). The Amended Forbearance Agreement requires the Company to exercise all avenues of liquidity in order to meet its obligations to BMO. In connection therewith, the board of directors of the Company has initiated a review of strategic alternatives to determine the best course to satisfy the Company's obligations under the Amended Forbearance Agreement and to enhance the Company's value. G.S. MacLeod & Associates Inc. has been retained to act as exclusive financial advisor to the Company in connection therewith. Strategic alternatives could include a reorganization of capital or the sale of all or some of the assets of the Company. There can be no assurance that this strategic review process will result in the completion of any transaction or other alternative. The Company does not intend to comment further regarding the review process unless a specific transaction or other alternative is approved by the board of directors, the review process is concluded or it is otherwise determined that further disclosure is appropriate or required by law. The Company will continue to operate in the ordinary course during this review process.

- BMO has advised the Company that it is supportive of the Company's approach in this regard. In connection therewith, the Company has entered into an amended and restated credit agreement with BMO, a copy of which is available on SEDAR at www.sedar.com (the "Amended Credit Agreement"). Under the terms of the Amended Credit Agreement, BMO has agreed to provide the Company with a discretionary, non-revolving demand credit facility in the amount of up to $3,000,000 (the "Facility"). Each advance under the Facility is at the discretion of BMO. The Facility may be used by the Company only for working capital and general corporate purposes. Subject to the terms of the Amended Credit Agreement, the Company shall only be entitled to obtain advances under the Facility until April 22, 2016. All advances will bear interest at BMO's prime rate plus 3.75% per annum.

- The Company has elected to not proceed with its previously announced preferred share offering and will instead explore the possibility of a debt offering as part of the strategic review process noted above. There can be no assurance that any such offering will be completed.

- The Company has made a continued effort to stabilize its school campuses and improve on reporting and operating standards and enrollment.

About KGIC Inc.

KGIC owns and operates private English as a Second Language (ESL) Schools, Career Colleges and Community Colleges in Toronto, Vancouver and Victoria.

For further information, please contact:

Dr. Alex MacGregor
KGIC Inc.

T: (416) 969-9800
E:amacgregor@loyalistgroup.com

Forward-Looking Information and Statements

This news release includes certain forward-looking information and statements within the meaning of Canadian securities laws. Such forward-looking information and statements are not representative of historical facts or information or current condition, but instead represent only the Company's beliefs regarding future events, plans or objectives, many of which, by their nature, are inherently uncertain and outside of the Company's control. Generally, such forward-looking information or statements can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or may contain statements that certain actions, events or results "may", "could", "would", "might" or "will be taken, "will continue", "will occur" or "will be achieved". The forward-looking information contained herein includes information concerning the ability of Company to continue as a going concern. By identifying such information and statements in this manner, the Company is alerting the reader that such information and statements are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such information and statements.

Any number of important factors could cause actual results to differ materially from these forward-looking statements as well as future results including, but not limited to, risks relating to: the Company's ability to successfully raise sufficient additional capital in order to allow it to continue as a going concern on terms acceptable to the Company or at all; the Company's ability to successfully complete any other form of transaction as part of the strategic review process noted above; the Company's ability to service its outstanding indebtedness and the impact of that indebtedness on the Company's ability to raise additional capital, fund and maintain operations or meet business objectives; the Company's ability to comply with the terms of the amended and restated forbearance agreement and amended and restated credit agreement with BMO and the consequences of any breach or default thereunder; the Company's ability to successfully exit forbearance; the Company's ability to satisfy the demands of, or successfully negotiate improved terms with, its existing creditors; the fact that new management and directors of the Company, including the recently appointed Chief Executive Officer and Chairman, have had limited experience with the Company and its operations and have not had sufficient time to fully analyze all facets of the Company's business; the impact of negative or unfavourable rumours in the marketplace on the Company's brands and student enrollment; any of the Company's announced or proposed acquisitions failing to close or becoming delayed before closing; carrying on business and activities in international jurisdiction where Canadian laws do not apply; any loss of certain key personnel; levels of student enrolment; delays in rolling out online education programs; delays to the completion of any planned initiatives or the inability to complete those initiatives; competition in the educational services market; and currency fluctuations. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in the forward-looking information and statements, there may be other factors that cause results not to be as anticipated, estimated or intended. Although the Company believes that the assumptions and factors used in preparing, and the expectations contained in, the forward-looking information and statements are reasonable, undue reliance should not be placed on such information and statements, and no assurance or guarantee can be given that such forward-looking information and statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information and statements. Accordingly, readers should not place undue reliance on any forward-looking information or statements contained in this press release.

The forward-looking information contained in this press release is made as of the date hereof, and the Company does not undertake to update any forward-looking information that is contained or referenced herein, whether as a result of new information, future events or otherwise, except in accordance with applicable securities laws. All subsequent written and oral forward looking information and statements attributable to the Company or persons acting on its behalf is expressly qualified in its entirety by this notice.

LOYALIST GROUP LIMITED
For Immediate Release
TSX Venture Exchange
Symbol "LOY"

Loyalist Group Limited

Loyalist Announces Forbearance Agreement Covenant Breach and Intention to Submit Revised Cash Flow Projection to Bank of Montreal

TORONTO, ONTARIO--(Marketwired – August 31, 2015) - Loyalist Group Limited ("Loyalist" or the "Company") (TSX VENTURE: LOY) announces that on August 28, 2015, the Company received a notice of default letter from Bank of Montreal ("BMO") pertaining to a financial covenant breach in the Forbearance Agreement.

The letter provides notice that negative variances to the weekly and accumulative cash flows occurred during the weeks of August 12, 2015 and August 19, 2015. These negative variances between actual cash flow and the projected cash flows are in excess of the allowable maximum of $250,000 as per section 33(b) of the Forbearance Agreement. Management notes that the accumulative negative cash flow variance was rectified during the week ended August 28, 2015.

BMO has not taken any enforcement action in relation to the breach. The Company is currently working with BMO in order to submit a revised cash flow projection which management anticipates will be utilized by BMO during the forbearance period. The Company will issue a Press Release following completion of the revised cash flow projection and acceptance by BMO.

The revised cash flow projection to be submitted for the Forbearance Agreement is expected to incorporate cost savings outlined in the Optimization Plan and a lower revenue forecast as disclosed in the Company's Management Discussion & Analysis for the Second Quarter of 2015 (see pages 4 to 5 under the heading "Optimization Plan and Outlook").

"While the Company's cash expenditures have been tightly managed since we entered into Forbearance in late June 2015, the negative cash flow variances were primarily driven by weaker than anticipated collection of account receivables during August. We are accelerating our efforts to implement processes and controls designed to improve monitoring and collection of receivables as part of our Optimization Plan," said Shawn Klerer, Chief Executive Officer.

About Loyalist

Loyalist owns and operates private English as a Second Language (ESL) Schools, Career Colleges and Community Colleges in Toronto, Vancouver, Victoria and Halifax.

For further information, please contact:

Shawn Klerer
Chief Executive Officer
Loyalist Group Limited

T: (416) 969-9800
E: sklerer@loyalistgroup.com

Forward-Looking Information and Statements

This news release includes certain forward-looking information and statements within the meaning of Canadian securities laws. Such forward-looking information and statements are not representative of historical facts or information or current condition, but instead represent only the Company's beliefs regarding future events, plans or objectives, many of which, by their nature, are inherently uncertain and outside of the Company's control. Generally, such forward-looking information or statements can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or may contain statements that certain actions, events or results "may", "could", "would", "might" or "will be taken, "will continue", "will occur" or "will be achieved". The forward-looking information contained herein includes information concerning the proposed change of the Company's name and proposed changes to its operations and organizational structure. By identifying such information and statements in this manner, the Company is alerting the reader that such information and statements are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such information and statements.

Any number of important factors could cause actual results to differ materially from these forward-looking statements as well as future results including, but not limited to, risks relating to: the Company's ability to service its outstanding indebtedness and the impact of that indebtedness on the Company's ability to raise additional capital, fund and maintain operations or meet business objectives; the Company's ability to comply with the terms of the amended forbearance agreement with Bank of Montreal and the consequences of any breach or default thereunder, including the breach referenced herein; the Company's ability to complete any proposed recapitalization or restructuring activities (including the Optimization Plan referenced herein) on terms acceptable to the Company or at all and the expected cost savings related thereto; the fact that new management of the Company, including the recently appointed Chief Executive Officer and Chief Financial Officer, have had limited experience with the Company and its operations and have not had sufficient time to fully analyze all facets of the Company's business; the impact of negative or unfavourable rumours in the marketplace on the Company's brands and student enrollment; any of the Company's announced or proposed acquisitions failing to close or becoming delayed before closing; carrying on business and activities in international jurisdiction where Canadian laws do not apply; any loss of certain key personnel; levels of student enrolment; delays in rolling out online education programs; delays to the completion of any planned initiatives or the inability to complete those initiatives; competition in the educational services market; and currency fluctuations. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in the forward-looking information and statements, there may be other factors that cause results not to be as anticipated, estimated or intended. Although the Company believes that the assumptions and factors used in preparing, and the expectations contained in, the forward-looking information and statements are reasonable, undue reliance should not be placed on such information and statements, and no assurance or guarantee can be given that such forward-looking information and statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information and statements. Accordingly, readers should not place undue reliance on any forward-looking information or statements contained in this press release.

The forward-looking information contained in this press release is made as of the date hereof, and the Company does not undertake to update any forward-looking information that is contained or referenced herein, whether as a result of new information, future events or otherwise, except in accordance with applicable securities laws. All subsequent written and oral forward looking information and statements attributable to the Company or persons acting on its behalf is expressly qualified in its entirety by this notice.

Exhibit "E"

NOTICE OF BREACH OF LEASE AND CHANGE OF LOCKS

):	Loyalist Group Limited (the "Tenant")
E:	Lease (the "Lease") dated May 7, 2013 between KS 1255 Bay Street Inc. (the "Landlord"), as landlord, and the Tenant, as tenant, with respect to the 8th floor of the building municipally known as 1255 Bay Street, Toronto, Ontario (the "Premises")

The Landlord hereby gives you notice that you are in breach of the Lease as a esult of (i) your failure to pay the rents and other charges due thereunder for the month of anuary, 2017 in the amount of $31,174.88, and (ii) your attempted abandonment of the Premises.

As a result of such attempted abandonment and in order to secure and safeguard the Premises, the Landlord will forthwith hereafter be re-entering the Premises and changing the ock(s) thereto. Such re-entry and changing of locks is not intended by the Landlord to be a ermination of the Lease. Unless and until the Landlord terminates the Lease (the Landlord ereby reserving its right to terminate the Lease at such future time as it sees fit), the Lease shall emain in full force and effect.

Please have your legal counsel contact the Landlord's legal counsel to discuss this matter. The Landlord's legal counsel's contact information is as follows:

John M. Gartenburg
Suite 2000
393 University Avenue
Toronto, Ontario
M5G 1E6

Tel. - 416-595-1802
Email - jgartenburg@on.aibn.com

DATED the 19th day of January, 2017.

KS 1255 BAY STREET INC.


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Exhibit “F”

Exhibit F

KGIC Inc.
Cash flow projection
As of Jan 18, 2016

Note: This cash flows does not include payments to the existing payables, and only covers ongoing weekly expenses

($ 000)															
Weeks	1	2	3	4	5	6	7	8	9	10	11	12	13	14	
Week ending:	22-Jan	29-Jan	05-Feb	12-Feb	19-Feb	26-Feb	04-Mar	11-Mar	18-Mar	25-Mar	01-Apr	08-Apr	15-Apr	22-Apr	Total Actual
Receipts															
Net Cash	432	449	380	394	362	326	304	603	367	641	388	506	305	306	5,764
Disbursements															
Commission	13	13	11	12	11	10	9	18	11	19	12	15	9	9	173
Other direct costs															
Student refunds and related costs	22	22	19	20	18	16	15	30	18	32	19	25	15	15	288
Homestay	60	60	60	60	60	60	60	60	60	60	60	60	60	60	840
Textbook				75			75			75			75		300
Other costs	12	12	10	11	10	9	8	16	10	17	10	14	8	8	154
Payroll															
Regular pay		621		612		612		612		612		612		612	4,293
Employment benefits		22				44				44				44	154
Rent			582		430		582				582				2,176
Office and G&A															
Utilities, union dues, Gov't related	15	15	15	15	15	15	15	15	15	15	15	15	15	15	210
Other G&A	10	10	10	10	10	10	10	10	10	10	10	10	10	10	140
Insurance			23				23				23			23	92
Overseas office			41				41				41				123
Interests / Bank charges			35				35				35				105
Professional fees	10	10	10	10	100	75	35	10	10	10	10	10	10	10	320
Travel	8	8	8	8	8	8	8	8	8	8	8	8	8	8	105
Advertising and promotion	20	20	20	20	20	20	20	20	20	20	20	20	20	20	280
Total disbursements	169	813	844	852	681	878	936	799	162	922	845	788	230	834	9,753
Operating cash inflow / (outflow)	263	-364	-464	-457	-319	-552	-632	-196	206	-281	-457	-282	75	-528	-3,989
Cash balances															
Beginning cash	0	263	-101	-565	-1,022	-1,341	-1,893	-2,525	-2,721	-2,516	-2,796	-3,253	-3,535	-3,461	0
Operating cash inflow / (outflow)	263	-364	-464	-457	-319	-552	-632	-196	206	-281	-457	-282	75	-528	-3,989
Ending cash balance	263	-101	-565	-1,022	-1,341	-1,893	-2,525	-2,721	-2,516	-2,796	-3,253	-3,535	-3,461	-3,989	-3,989

Exhibit "G"

Exhibit G

KGIC Inc.
Cash Flow Projection
As of January 18, 2017

($000's)

Weeks	1	2	3	4	5	6	7	8	9	10	11	12	13	14	
Week Endir	27-Jan	3-Feb	10-Feb	17-Feb	24-Feb	3-Mar	10-Mar	17-Mar	24-Mar	31-Mar	7-Apr	14-Apr	21-Apr	28-Apr	Total
Receipts															
Tuition	$ 432	$ 449	$ 380	$ 394	$ 362	$ 326	$ 304	$ 603	$ 367	$ 641	$ 388	$ 506	$ 305	$ 306	$ 5,763
Student loans															-
Receiver's Certificates															-
Other															-
Subtotal	*432*	*449*	*380*	*394*	*362*	*326*	*304*	*603*	*367*	*641*	*388*	*506*	*305*	*306*	*5,763*
Disbursements															-
Commission	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other direct costs															
Student refunds and relate	22	22	19	20	18	16	15	30	18	32	19	25	15	15	286
Homestay	60	60	60	60	60	60	60	60	60	60	60	60	60	60	840
Textbooks				75		75		75		75					300
Other	12	12	10	11	10	9	8	16	10	17	10	14	8	8	155
Payroll															
Regular pay		621		612		612		612		612		612		612	4,293
Employment benefits		22				44				44				44	154
Other															-
Payroll Subtotal	-	*643*	-	*612*	-	*656*	-	*612*	-	*656*	-	*612*	-	*656*	*4,447*
Rent			-		582	430		582				582			2,176
Office and G&A															
Utilities, union dues, Gov't	15	15	15	15	15	15	15	15	15	15	15	15	15	15	210
Other G&A	10	10	10	10	10	10	10	10	10	10	10	10	10	10	140
Insurance			23				23				23			23	92
Overseas office	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other															-
Interest/Bank charges			35				35				35				105
Professional fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Travel	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Advertising and promotion	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other															-
Total disbursements	119	762	172	803	695	1,271	166	1,400	113	865	172	1,318	108	787	8,751
															-
Operating cash inflow/(outflow	313	(313)	208	(409)	(333)	(945)	138	(797)	254	(224)	216	(812)	197	(481)	(2,988)
Cash balances															
Beginning cash	-	313	-	208	(201)	(534)	(1,479)	(1,341)	(2,138)	(1,884)	(2,108)	(1,892)	(2,704)	(2,507)	
Operating cash inflow/(outflow)	313	(313)	208	(409)	(333)	(945)	138	(797)	254	(224)	216	(812)	197	(481)	(2,988)
Ending cash balance	$ 313	$ -	$ 208	$ (201)	$ (534)	$ (1,479)	$ (1,341)	$ (2,138)	$ (1,884)	$ (2,108)	$ (1,892)	$ (2,704)	$ (2,507)	$ (2,988)	$ (2,988)
Monthly Net Cash Flow					$ (534)					$ (1,574)				$ (880)	

Key Assumptions:

1 This cash flow does not include payments to the existing payables, and only covers ongoing weekly expenses.
2 Based on KGIC's January 18, 2016 Cash Flow Projection. Recruiting costs (Commissions, Travel, Advertising) and professional fees have been eliminated.
3 Assumes same cash inflow and cost structure as in January 2017

Exhibit "H"

"REDACTED"

INTERIM MANAGEMENT AGREEMENT

BETWEEN:

BDO Canada Limited,

solely in its capacity as Court-appointed Interim Receiver of

KGIC Inc. and the parties listed

on Schedule "A" hereto

-and-

Sprott-Shaw Degree College Corp.

January 25, 2017

{00670369;1}

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THIS AGREEMENT made as of the 25th day of January, 2017.

BETWEEN:

BDO Canada Limited, solely in its capacity as Court-appointed Interim Receiver of KGIC Inc. and the parties listed on Schedule "A" hereto

(in such capacity, the "**Interim Receiver**")

- and -

Sprott-Shaw Degree College Corp., a corporation incorporated under the laws of the Province of British Columbia,

("**Sprott-Shaw**")

WHEREAS:

A. On the 25th day of January, 2017, pursuant to an Order (the "**Appointment Order**") of the British Columbia Supreme Court (the "**Court**"), BDO Canada Limited was appointed Interim Receiver of all of the assets, properties, and undertakings of KGIC Inc. ("**KGIC**") and the parties listed on Schedule "A" hereto (collectively with KGIC, the "**Companies**") with the power and authority to, *inter alia*, take possession of and exercise control over the business previously operated by the Companies (the "**Business**");

B. The Companies had carried on business in the locations described in Schedule "B" hereto (the "**Campuses**").

C. The Interim Receiver desires to have Sprott-Shaw operate the Business, as agent of, and for and on behalf of, the Interim Receiver and to engage Sprott-Shaw, as agent of the Interim Receiver, and grant such control and discretion in the operation, direction, management and supervision of the Business in accordance with this Agreement and the Appointment Order;

D. Sprott-Shaw has agreed to accept such appointment and to assume such control and discretion, as agent of the Interim Receiver, on and subject to the terms and conditions set forth in this Agreement and the Appointment Order;

NOW THEREFORE THIS AGREEMENT WITNESSETH that for and in consideration of the sum of $2.00 paid by each of the parties hereto to the other (the receipt of which is hereby acknowledged by each party), the mutual covenants, undertakings, promises and agreements contained in this Agreement and other good and valuable consideration, the parties hereto hereby agree as follows:

ARTICLE 1
DEFINITIONS

1.1 In this Agreement, including in the recitals and on any schedules hereto annexed, the following terms shall have the meanings hereunder set forth unless the context or subject matter is inconsistent therewith:

(a) "**Accounting Period**" means each weekly period of the Term;

(b) "**Agreement**" means this Agreement, as it may be amended from time to time;

(c) "**Approved by Interim Receiver**" or "**Approval of the Interim Receiver**" means approved by the Interim Receiver and communicated to Sprott-Shaw in writing;

(d) "**Basic Fee**" means [redacted] per calendar week payable by the Interim Receiver to Sprott-Shaw for each week of the Term;

(e) "**Business**" has the meaning described in Recital A.

(f) "**Campuses**" has the meaning described in Recital B.

(g) "**Capital Expenditures**" means any expenditures relating to the Business of a nature usually charged to capital account determined in accordance with generally accepted accounting principles used in the private education industry and consistently applied, other than those which relate to repairs or replacements which are necessary to deal with any equipment failure or other unanticipated occurrence relating to the physical condition of the Facilities;

(h) "**Claims**" means all actions, causes of action, proceedings, suits, debts, losses, damages, costs, expenses, claims or demands whatsoever, at law or in equity;

(i) "**Companies**" has the meaning described in Recital A.

(j) "**Court**" has the meaning described in Recital A.

(k) "**Effective Date**" means the 25th day of January, 2017;

(l) "**Executive Staff**" means Alex McGregor, CEO, Fareed Sheik, CFO, Shan Padda, Chairman, Martin Bernholtz, Director and Ako Ufodike, Director.

(m) "**Fiscal Year**" means every 365 or 366 day period of the Term commencing on January 1st and terminating on December 31st, as the case may be, unless otherwise advised;

(n) "**Interim Receiver**" means BDO Canada Limited and includes its successors and permitted assigns;

(o) **"Operating Budget"** means a budget for the Business Approved by the Interim Receiver pursuant to section 7.1 (c) hereof, as amended by the parties hereto in writing from time to time;

(p) **"Operating Expenses"** means all expenditures of any kind contemplated by the Operating Budget or otherwise Approved by the Interim Receiver made by or on behalf of Sprott-Shaw with respect to the management and operation of the Business, including, without limitation, salaries and wages of employees of Sprott-Shaw, accommodations and home stay, real property taxes, insurance premiums, repair and maintenance costs, advertising expenses, professional fees, utility costs directly applicable to the Campuses, costs of supplies and equipment for the Campuses and any federal, provincial or local sales, gross receipts, use, value added (including goods and services taxes and provincial sales taxes) excise or similar taxes payable on Operating Expenses and, for certainty, excluding any expenditures expressly provided for in this Agreement as being for the account of the Interim Receiver;

(q) **"Operating Year"** means the Fiscal Year;

(r) **"Renewal Term"** means a period of 2 calendar weeks from the expiration of the Term unless terminated as provided for in this Agreement;

(s) **"Sprott-Shaw"** means Sprott-Shaw Degree College Corp.

(t) **"Term"** means a period of 9 calendar weeks from the Effective Date terminating on 1 April , 2017 unless terminated as provided for in this Agreement;

(u) **"Unavoidable Delay"** means any condition or cause (i) beyond the reasonable control of Sprott-Shaw or the Interim Receiver, as the case may be, if such party is acting in good faith and in a reasonable manner with respect to such condition or cause, but shall not include any inability to perform because of any financial condition of Sprott-Shaw or the Interim Receiver or any lack of funds other than, in the case of Sprott-Shaw, a lack of funds caused by a failure of the Interim Receiver to pay Sprott-Shaw any amount payable by the Interim Receiver pursuant to this Agreement, or (ii) in the case of Sprott-Shaw, which is attributable to a failure of the Interim Receiver to respond to a request for any approval required under this Agreement;

ARTICLE 2
APPOINTMENT

2.1 Appointment

(a) The Interim Receiver hereby appoints Sprott-Shaw and Sprott-Shaw hereby accepts the appointment as sole and exclusive managing agent of the Interim Receiver to supervise and direct the management and operation of the Business, as agent of the Interim Receiver, on and subject to the terms and conditions set forth in this Agreement.

ARTICLE 3
TERM

3.1 (a) The Term of this Agreement shall extend from the Effective Date for a period of 9 calendar weeks, unless extended by the Renewal Term or unless terminated as provided for in this Agreement.

(b) The Term of this Agreement shall be extended by an additional term equal to the Renewal Term by mutual agreement between the parties hereto at least 1 calendar week prior to the expiration of the Term, unless the Renewal Term is terminated as provided for in this Agreement.

ARTICLE 4
REPRESENTATIONS AND WARRANTIES OF INTERIM RECEIVER

4.1 The Interim Receiver hereby represents and warrants to Sprott-Shaw that the Interim Receiver has been duly appointed as interim receiver of the Companies pursuant to the Appointment Order and has the power and authority to enter into and perform its obligations under this Agreement.

ARTICLE 5
REPRESENTATIONS AND WARRANTIES OF SPROTT-SHAW

5.1 Sprott-Shaw hereby represents and warrants to the Interim Receiver that:

(a) Sprott-Shaw is a corporation duly incorporated, organized and validly subsisting under the laws of Canada is duly registered to carry on business in British Columbia and Ontario and has full corporate power, capacity and authority to enter into this Agreement and to perform its obligations hereunder;

(b) this Agreement has been duly authorized, executed and delivered by Sprott-Shaw and is a legal, valid and binding obligation of Sprott-Shaw, enforceable against Sprott-Shaw by the Interim Receiver in accordance with its terms; and,

(c) Sprott-Shaw is not a party to or bound by any contract or agreement or subject to any restrictions in its constating documents or to any other corporate or contractual restriction however imposed that adversely affects its ability to perform its obligations under this Agreement.

ARTICLE 6
SPROTT-SHAW AS AGENT

6.1 Sprott-Shaw shall act solely on behalf of and as agent for the Interim Receiver and not on its own behalf.

ARTICLE 7
DUTIES AND RESPONSIBILITIES OF SPROTT-SHAW

7.1 Sprott-Shaw hereby agrees, and the Interim Receiver hereby authorizes Sprott-Shaw, to manage, operate and maintain the Business for and on behalf and as agent of the Interim Receiver during the Term and the Renewal Term, if granted, and to enter into such contracts and agreements as agent of the Interim Receiver upon the written Approval of the Interim Receiver as may be necessary in the performance of the following duties:

(a) **Operating Policies**

(i) To provide such services as are customarily provided by operators of businesses, of comparable size and complexity with that of the Business and are prudent in the circumstances;

(ii) To advise the Interim Receiver from time to time of all proposed major policy matters affecting the Business;

(iii) To utilize its reasonable discretion in the operation, direction, management and supervision of the Business; and

(iv) To preserve the stand alone value of the Business.

(b) **Establishment of Prices**

(i) To continue to charge the published rates as of the Effective Date for tuition, accommodations and home stay.

(c) **Submission of Operating Budget**

(i) To submit to the Interim Receiver, on or before the 5th day from the Effective Date, for the Interim Receiver's approval, an Operating Budget for the Term or any Renewal Term; and,

(ii) In the event that any Operating Budget is disapproved by the Interim Receiver, to negotiate with the Interim Receiver in an effort to determine a mutually satisfactory Operating Budget.

(d) **Personnel**

(i) To supervise the work of the Executive Staff of the Business and to supervise the work of all other employees of the Business, all in the name of the Interim Receiver, it being understood and agreed that all employees of the Business, shall be on the Companies payroll and the Interim Receiver shall not be liable to such employees for wages, compensation, fringe benefits or any other amounts due and owing or to become due and owing to any such employees;

(ii) Not to enter into any agreement with an employee for an annual basic salary in excess of $75,000 without the consent in writing of the Interim Receiver; and

(iii) With the prior written consent of the Interim Receiver, to negotiate, for and on behalf of and as agent of the Interim Receiver, with any union or unions representing any employees whose services are required for the proper and efficient management and operation of the Business and subject to the prior written approval of the Interim Receiver to execute (either in its own name or the Interim Receiver's name as the Interim Receiver may elect) all collective agreements, letters of understanding and other documents or instruments with such union or unions.

(e) **Service Contracts**

(i) With the prior written consent of the Interim Receiver, to negotiate and enter into service contracts required in the ordinary course of the operation of the Business, including, without limitation, contracts for electricity, gas, telephone, cleaning, vermin extermination, elevator and boiler maintenance and other services which Sprott-Shaw deems advisable.

(f) **Purchase of Operating Supplies**

(i) With the prior written consent of the Interim Receiver, to purchase or arrange for the purchase of all inventories, provisions, supplies and operating equipment which in the normal course of business are necessary to properly maintain and operate the Business.

(g) **Repairs, Replacements and Improvements**

(i) With the prior written consent of the Interim Receiver, to make or install, or cause to be made or installed, all necessary or desirable repairs, decorations, renewals, revisions, alterations, rebuildings, replacements, additions and improvements in and to the Campuses, furnishings and equipment, provided however, that such are included in the Operating Budget or do not exceed $10,000 per item; and,

(ii) To obtain the written consent of the Interim Receiver before entering into any contract, agreement or purchase if the amount payable exceeds the amount of $10,000.

(h) **Licenses and Permits**

(i) To apply for and obtain and maintain in the name of the Interim Receiver all licenses and permits required of the Interim Receiver or Sprott-Shaw in connection with the management and operation of the Business and the Interim Receiver agrees to execute and deliver any and all applications and other documents and to otherwise cooperate to the fullest extent with

Sprott-Shaw in applying for, obtaining, and maintaining such licenses and permits.

(i) **Laws and Ordinances**

(i) To make all reasonable efforts, to comply with all applicable laws, rules, regulations, requirements and ordinances of any federal, provincial or municipal authority, board of fire underwriters and the requirements of any insurance companies covering any of the risks against which the Business is insured, provided that the Interim Receiver shall have the right, to contest or to have Sprott-Shaw contest by proper legal proceedings the validity or application thereof and provided further, that if the Interim Receiver's failure to comply with the foregoing would result in the suspension of operations of the Business or would expose the Interim Receiver or Sprott-Shaw to any liability, then Sprott-Shaw may, but shall not be obligated to, cause the same to be complied with at the Interim Receiver's expense.

(j) **Banking**

(i) To deposit in a banking institution in separate and fully segregated accounts in the Interim Receiver's name all monies furnished by the Interim Receiver as Working Capital and all monies received by Sprott-Shaw, for or on behalf of the Interim Receiver and to disburse and pay the same as required in connection with the Interim Receivership, maintenance and operation of the Business, including, without limitation, taxes and all costs and expenses of maintaining, operating and supervising the operation of the Business.

(ii) Subject to maintaining working capital requirements approved by the Interim Receiver, to, at the Interim Receiver's request, transfer such funds as the Interim Receiver shall request to a bank account opened and maintained solely by the Interim Receiver; and

(iii) To deposit in a banking institution in a separate and segregated account in the name of the Interim Receiver and all monies received from customers and students as deposits or prepayments and to maintain detailed and proper accounting for such deposits and prepayments;

(iv) To hold all such funds noted in this subsection in trust for the sole benefit of the Interim Receiver in its administration of the receivership of the Companies.

(k) **Insurance**

(i) Sprott-Shaw shall, at its cost and expense, ensure the existence of and to the extent not otherwise in place, obtain and maintain in full force and effect or cause to be obtained and maintained in full force and effect, throughout the Term and any renewals and extensions thereof, the following insurances:

(A) **Property Insurance**

property damage insurance, upon the Campuses, the furnishings, fixtures, machinery and equipment contained therein as well as upon the lands of every description and kind over which the Interim Receiver has been appointed, or for which the Interim Receiver is legally liable, including, without limitation, stock-in-trade, furniture, fittings, installations, alterations, additions, partitions and fixtures in an amount equal to 100% of the replacement cost thereof, with coverage against loss or damage by fire and other perils now or hereafter from time to time embraced by or defined in an "all risk" insurance policy with provision for permission to occupy and including coverage against loss or damage by collapse, earthquake, flood or sprinkler leakages and to have the Interim Receiver named as a loss payee is respect of such policy;

(B) **Boiler & Machinery Insurance**

comprehensive broad form boiler and machinery insurance, including expediting and extra expense, which shall include, without limitation, loss or damage of whatsoever kind or nature by reason of explosion or collapse by vacuum or cracking, burning or bulging of any steam or hot water boilers, pipes and fired or unfired pressure vessels, air conditioning equipment, and electrical apparatus in the operation of the Business, in an amount equal to 100% of the replacement cost thereof and to have the Interim Receiver named as a loss payee in respect of such policy;

(C) **Comprehensive General Liability Insurance**

comprehensive general liability insurance in the amount of not less than $10,000,000, including non-owned automobile liability, a cross liability clause, blanket contractual liability, Interim Receivers and contractors protective liability, personal injury, or property damage, with limits of not less than the brand requirements and have the Interim Receiver added as an additional insured;

(D) **Automobile Insurance**

automobile insurance per the brand requirements;

(E) **Umbrella/Excess Insurance Automobile Insurance**

umbrella/excess liability insurance, for a limit of not less than $5,000,000, providing coverage in addition to coverages provided by the comprehensive general liability policy and the automobile third party liability policy;

(F) **Workers Compensation Insurance Umbrella/Excess Insurance Automobile Insurance**

Workers' compensation insurance, in compliance with the requirements of the Workers' Compensation Legislation in Ontario.

(ii) All insurance policies maintained by Sprott-Shaw, other than policies specifically intended as excess coverage such as Umbrella of Excess liability, shall state that it will be primary insurance.

(iii) Interim Receiver shall be named as an Additional Insured on all insurance policies.

(iv) Sprott-Shaw shall provide the Interim Receiver with either, written confirmation from the Insurers or a certified true copy of each insurance policy, as soon as practical after placing the insurance required under this Agreement.

(v) Sprott-Shaw assumes all risks in connection with the adequacy of any insurance program.

(vi) All insurance policies shall be endorsed to provide the Interim Receiver with at least 30 days' notice of cancellation or any other material reduction of coverage, scope or limits.

(vii) Sprott-Shaw releases the Interim Receiver from any liability for any damage or destruction to the Campuses caused by any act or omission on the part of the Interim Receiver.

(I) **Weekly Reporting**

(i) Within a week from the Effective Date, Sprott-Shaw shall deliver to the Interim Receiver a 12-week rolling cash flow projection commencing the week ending 27 January , 2017 in form and content satisfactory to the Interim Receiver (the "**Initial Cash Flow Statement**");

(ii) Sprott-Shaw shall deliver to the Interim Receiver weekly (on every Wednesday (commencing on Wednesday, 1 February, 2017) for the week ending as at the preceding Friday), an updated cash flow projection (the "**Cash Flow Statements**"), together with a comparison of actual results to the projected cash flows both as against the Initial Cash Flow Statement and as against the most recently delivered cash flow projection, which Cash Flow Statements are to be certified by Sprott-Shaw as being accurate and correct as of the date thereof, and which are in form and detail satisfactory to the Interim Receiver;

(iii) Sprott-Shaw shall deliver to the Interim Receiver weekly (on every Wednesday (commencing on 1 February, 2017) for the week ending as at the preceding Friday), copies of all merchant account transactions, a weekly bank reconciliation, accounts payable and accounts receivable ledgers as well as a weekly update on renovations and repairs of Campuses, marketing initiatives, copies of student enrollment by location, copies of any and all legal notices and notifications and notice of any material issue that may arise in relation to the Business including, without limitation, physical state of repair and safety issues in relation the Campuses;

(iv) Upon the Interim Receiver's request, Sprott-Shaw shall deliver to the Interim Receiver as soon as reasonably practicable any other information regarding the Business.

(m) **Landlords and Campus Leases**

Sprott-Shaw shall, unless the Interim Receiver shall direct otherwise, continue in occupation of the Campuses and within one week of the Effective Date, identify to the Interim Receiver those Campuses which should be vacated and closed.

(n) **Advertising and Promotion**

(i) Sprott-Shaw shall arrange and contract for, all advertising and promotion provided for in the Operating Budget;

(ii) If advertising is supplied in conjunction with advertising for other of Sprott-Shaw's (or its affiliates or related companies) owned, operated, or affiliated properties, cost of such advertising shall be prorated to the properties benefited thereby.

ARTICLE 8
MANAGEMENT FEES

8.1 Management Fees

As compensation for the services rendered or to be rendered by Sprott-Shaw under this Agreement, the Interim Receiver shall pay to Sprott-Shaw the Basic Fee. On or after the 25th day of each month of the Term, Sprott-Shaw may transfer to itself out of the bank account maintained for the Interim Receiver the Basic Fee with respect to the preceding month.

ARTICLE 9
COVENANTS OF INTERIM RECEIVER AND SPROTT-SHAW

9.1 Books and Records

(a) Books and records shall be kept at the Interim Receiver's premises in Toronto or Vancouver or such other place as the Interim Receiver may designate.

(b) Sprott-Shaw shall keep on behalf of the Interim Receiver full and adequate books of accounts reflecting the results of the operation of the Business and shall furnish copies of same to the Interim Receiver upon the Interim Receiver's request.

9.2 Working Capital

The Interim Receiver agrees to provide (from its borrowings permitted in the Appointment Order) sufficient Working Capital in an amount not less than $50,000 required for the uninterrupted and efficient operation and maintenance of the Business.

9.3 Operating Expenses

(a) Sprott-Shaw shall not incur any debts, liabilities or other obligations to third parties in respect of items that are not included in any Operating Budget or items that have not otherwise been Approved by Receiver. No contract being proposed in any Operating Budget shall have a term exceeding two months unless the Approval of the Receiver is obtained in advance thereof.

(b) Sprott-Shaw shall be solely liable for the costs and expenses of operating the Business and, other than the salaries of all personnel of the Companies, Sprott-Shaw shall pay all costs and expenses of operating and supervising the operation of the Business. The Interim Receiver shall arrange funding by way of Receiver Certificates for the payment of the salaries of the personnel of the Companies.

(c) Sprott-Shaw shall not, in the name of the Interim Receiver or the Companies, borrow any money or execute any promissory note or other encumbrance without the Approval of the Receiver.

9.4 Personnel

Sprott-Shaw shall not hire or discharge any employees of the Companies without the Approval of the Receiver.

9.5 Interim Receiver Right to Enter

Sprott-Shaw shall accord to the Interim Receiver and its duly authorized agents the right to enter upon any part of the Campuses or at any location where the Business is being carried on at all reasonable times for the purpose of examining or inspecting the Campuses or the other location where Business is being carried on, its records or operation, marketing the Business for sale or any other purpose which the Interim Receiver, in its sole and absolute unfettered discretion, shall deem advisable.

9.6 Confidentiality

(a) Sprott-Shaw shall, both during and after the termination of this Agreement, keep confidential all information regarding the Business that is disclosed to it by the Interim Receiver and/or any secured creditors of the Companies or that it obtains as a result of its appointment as manager pursuant to this Agreement except information that:

(i) is part of or becomes part of the public domain, other than as a result of disclosure by Sprott-Shaw;

(A) is received in good faith on a non-confidential basis from a source other than the Interim Receiver and/or any secured creditors of the Companies and is received by Sprott-Shaw not in its capacity as Sprott-Shaw's manager of the Business;

(B) was in Sprott-Shaw's possession prior to its discussions with the Interim Receiver and/or any secured creditors of the Companies regarding its appointment as manager of the Business;

(C) was independently developed by Sprott-Shaw without breach of this Agreement; or

(D) is explicitly approved for release by the Interim Receiver by written notice to Sprott-Shaw.

Notwithstanding the foregoing, the obligation to maintain the confidentiality of information will not apply to the extent that disclosure of the information is required by law.

9.7 Non Solicitation

(a) During this Agreement and for a period of twelve (12) months following the termination of this Agreement, for any reason whatsoever, Sprott-Shaw will not, individually or in partnership or in conjunction with any person(s) or entity, solicit, divert or take away, or attempt to divert or take away the business or patronage of any student or customer of the Business which, in the twelve (12) month period prior to the termination of this Agreement, was contacted, solicited, or served by Sprott-Shaw or by any person at the direction of Sprott-Shaw, or with respect to which Sprott-Shaw acquired confidential information.

(b) During this Agreement and for a period of twelve (12) months following the termination of this Agreement, for any reason whatsoever, Sprott-Shaw will not, individually or in partnership or in conjunction with any person(s) or entity, solicit, divert or take away, or attempt to divert or take away the business or patronage of any vendor or supplier of the Business which, in the twelve (12) month period prior to the termination of this Agreement, was contacted, solicited, or served by the Manager or at the direction of Sprott-Shaw, or with respect to which Sprott-Shaw acquired confidential information.

(c) During this Agreement and for a period of twelve (12) months following the termination of this Agreement, for any reason whatsoever, Sprott-Shaw will not, individually or in partnership or in conjunction with any person(s) or entity, solicit, divert or take away, or attempt to divert or take away, or employ any employees of the Companies, which, in the twelve (12) month period prior to the termination of this Agreement, were managed directly or indirectly by Sprott-Shaw, or with respect to which Sprott-Shaw acquired confidential information.

9.8 Arbitration and Litigation

(a) Except with respect to subsection 13.1(d) hereof, any and all disputes and controversies arising out of or in any manner relating to the performance of this Agreement which cannot be settled by agreement between Sprott-Shaw and the Interim Receiver shall be settled by arbitration in accordance with the Arbitration Act of British Columbia;

(b) The arbitrator or arbitrators shall have the right only to interpret and apply the terms of this Agreement, and may not change any such terms or deprive any party to this Agreement of any right or remedy expressly or implicitly provided in this Agreement;

(c) The expenses of arbitration shall be borne equally by Sprott-Shaw and the Interim Receiver; and,

(d) In the event a dispute arises under this Agreement which results in litigation, such litigation shall be filed only in a court of competent jurisdiction in British Columbia.

9.9 Reimbursement of Expenses

In the event that Sprott-Shaw shall have advanced any funds in payment of expenses in the operation of the Business, which are provided for in the Operating Budget, or in performance of this Agreement, the Interim Receiver agrees to reimburse Sprott-Shaw for all such reasonable expenses incurred by Sprott-Shaw

ARTICLE 10
TRADE NAME

10.1 Trademarks and service marks of both the Interim Receiver and Sprott-Shaw may be used in connection with the Business, and neither party will acquire any right to any trademark or service mark of the other party.

10.2 Upon termination of this Agreement, the Interim Receiver shall discontinue using trademarks and service marks of Sprott-Shaw in the conduct of its business and will not intentionally engage in a business or advertising practice which will lead the public to believe there is any relationship, affiliation, or identity with Sprott-Shaw

ARTICLE 11
NOTICES

11.1 All notices, demands, requests or other communications of any kind which may be or must be given under this Agreement by either party to the other shall be in writing and shall be served personally, or mailed by registered mail or sent by facsimile. Addresses for service shall be:

(a) **Interim Receiver:**

BDO Canada Limited
600 Cathedral Place
925 West Georgia Street
Vancouver, BC V6C 3L2

Attention: Jervis Rodrigues

Email: jrodrigues@bdo.ca

Fax: 604-688-5132

with a copy to the Interim Receiver's Counsel:

Borden Ladner Gervais LLP
1200-200 Burrard Street
Vancouver, BC V7X 1T2

Attention: William Skelly

Email: wskelly@blg.com

Fax: 604-687-5744

(b) **Sprott-Shaw**

Sprott-Shaw Degree College Corp.
Suite 1200,
777 West Broadway

Vancouver, B.C. V5Z 4J7Attention: Steven Sohn

Email: steve@cibt.net

Fax: 604-871-9919

Any such notice, demand, request or other communication shall be in writing conclusively deemed to have been received on the 3rd business day after mailing, or, if personally delivered, on the 1st day after personal service or if sent by facsimile, telecopy, e-mail or other similar facsimile or electronic transmission, on the 1st day after the transmission thereof. Either party hereto may by notice in writing to the other designate a different address to which notices, demands, requests or other communications are thereafter to be addressed.

ARTICLE 12
SUCCESSORS AND ASSIGNS

12.1 Assignment by Sprott-Shaw

(a) Sprott-Shaw shall not assign this Agreement without the prior written consent of the Interim Receiver; such consent not to be unreasonably withheld.

(b) Any consent granted by the Interim Receiver to any such assignment shall not be deemed a waiver against assignment in any subsequent case.

12.2 Assignment by Interim Receiver

(a) Unless this Agreement has been terminated pursuant to subsection 13.1 (iv) hereof, the Interim Receiver, without the consent of Sprott-Shaw, shall have the right to assign this Agreement to any successor or assignee of the Interim Receiver.

(b) Any consent granted by Sprott-Shaw to any such assignment shall not be deemed a waiver against assignment in any subsequent case.

(c) Nothing herein contained shall prevent the Interim Receiver from assigning this Agreement to any bank, insurance company or other lending institution as collateral security to any mortgage or security interest in the Business or on the Campuses.

ARTICLE 13
TERMINATION RIGHTS

13.1 Termination by Interim Receiver

The Interim Receiver may terminate this Agreement if:

(a) Sprott-Shaw shall fail to keep, observe or perform any material covenant, agreement, term or provision to be kept, observed or performed by Sprott-Shaw under this Agreement, and such default shall continue for a period of 5 days after notice thereof by the Interim Receiver to Sprott-Shaw, or if such default cannot be cured within 5 days, then such additional period as shall be reasonable, provided that Sprott-Shaw has proceeded to cure such default; or

(b) Sprott-Shaw becomes subject to any bankruptcy or insolvency law, or if any involuntary petition under any such law is filed against Sprott-Shaw and not dismissed within 5 days; or

(c) Sprott-Shaw shall make any assignment of its property for the benefit of creditors; or

(d) The Interim Receiver has given Sprott-Shaw 5 days written notice of termination of this Agreement, such termination to be effective on the termination of such notice period; or

(e) There is a sale and transfer by the Interim Receiver of the Companies' right, title and interest in the Business.

13.2 Termination by Sprott-Shaw

Sprott-Shaw may terminate this Agreement if:

(a) The Interim Receiver shall fail to keep, observe or perform any material covenant, agreement, term or provision to be kept, observed or performed by the Interim Receiver under this Agreement, and such default shall continue for a period of 5 days after notice thereof by Sprott-Shaw to the Interim Receiver, or if such default cannot be cured within 5 days, then such additional period as shall be reasonable, provided that the Interim Receiver has proceeded to cure such default; or

(b) The Interim Receiver becomes subject to any bankruptcy or insolvency law, or if any involuntary petition under any such law is filed against the Interim Receiver and not dismissed within 5 days; or

(c) There is a sale and transfer by the Interim Receiver of its right, title and interest in the Business except the sale to or merger with a subsidiary corporation or a corporation controlled by one or more of the shareholders of the Interim Receiver; or

(d) Sprott-Shaw has given the Receiver ten (10) days' written notice of termination of this Agreement, such termination to be effective on the termination of such notice period; or

(e) There is a sale and transfer by the Interim Receiver of the Companies' right, title and interest in the Business.

13.3 General Termination Provisions

(a) This Agreement may be terminated at any time by written agreement executed by both the Interim Receiver and Sprott-Shaw or by an Order of the Court.

(b) Notwithstanding the foregoing, neither the Interim Receiver nor Sprott-Shaw shall be deemed to be in default under this Agreement if a bona fide dispute with respect to any of the foregoing events of default has arisen between the Interim Receiver and Sprott-Shaw and such dispute has been submitted to arbitration.

(c) Upon termination of this Agreement, all amounts due and owning between the parties shall become immediately due and payable and all amounts held by Sprott-Shaw in respect of the Business shall be immediately paid over to the Interim Receiver and accounted for by Sprott-Shaw.

(d) At the termination of this Agreement, Sprott-Shaw shall remove all its property from the Campuses and any other location where the Companies carry on Business.

(e) Sprott-Shaw shall transfer to the Interim Receiver all of the Interim Receiver's books and records regarding the Business in the custody and control of Sprott-Shaw.

(f) Sprott-Shaw shall assign and transfer to the Interim Receiver Sprott-Shaw's right, title and interest in and to all licenses and permits, if any, used by Sprott-Shaw in the operation of the Business.

ARTICLE 14
MISCELLANEOUS PROVISIONS

14.1 No Partnership or joint Venture

Nothing contained in this Agreement shall constitute or be construed to be or create a partnership or joint venture between the Interim Receiver, its successors or assignees, on the one part, and Sprott-Shaw, its successors and assignees, on the other part. The duties to be performed and the obligations assumed by Sprott-Shaw under this Agreement shall be performed and assumed by Sprott-Shaw as agent of the Interim Receiver.

14.2 Modification and Changes

This Agreement cannot be amended or modified except by another agreement in writing signed by the party sought to be charged therewith or by its duly authorized agent.

14.3 Understandings and Agreements

(a) This Agreement constitutes all of the understandings and agreements of whatsoever nature and kind existing between the parties with respect to operation and management by Sprott-Shaw of the Business.

(b) Sprott-Shaw makes no guarantee, warranty or representation that there will be profits or that there will not be losses from the operation of the Business.

14.4 Headings

The article and paragraph headings contained herein are for convenience of reference only and are not intended to define, limit or describe the scope or intent of any provision of this Agreement.

14.5 Approval or Consent

Whenever under any provision of this Agreement the approval or consent of either party is required, said approval or consent shall be given or denied in a prompt manner.

14.6 Governing Law

This Agreement shall be deemed to have been made and shall be construed and interpreted in accordance with the laws of British Columbia and of Canada applicable therein.

14.7 Partial Invalidity

If any provision of this Agreement or the application of any provision to any person or circumstance is held invalid or unenforceable the remainder hereof and the application of such provision to other persons or circumstances shall remain valid and enforceable.

14.8 Binding Effect (Successors and Assigns)

This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns.

14.9 Waiver of Provisions

(a) The failure of either party to insist upon a strict performance of any of the terms or provisions of this Agreement or to exercise any option, right or remedy herein contained, shall not be construed as a waiver or as relinquishment for the future of such term, provision, option, right or remedy, but the same shall continue and remain in full force and effect

(b) No waiver by either party of any term or provision hereof shall be deemed to have been made unless expressed in writing and signed by such party.

14.10 Third Parties

Any provision herein to the contrary notwithstanding, it is agreed that none of the obligations hereunder of either party shall run to, or be enforceable by, any party other than the other party to this Agreement.

14.11 Counterparts

This Agreement may be executed in several counterparts, each of which shall be an original, but all of which shall constitute but one and the same instrument.

14.12 Further Instruments

The parties shall execute and deliver all other appropriate supplemental agreements and other instruments, and take any other action necessary to make this Agreement fully and legally effective, binding and enforceable, as between the parties, and as against third parties.

14.13 Capacity

It is acknowledged by Sprott-Shaw that the Interim Receiver is entering into this Agreement solely in its capacity as the Court-appointed interim receiver of the assets, undertaking and properties of the Companies and that the Interim Receiver shall have no personal or corporate liability under or as a result of this Agreement. Any claim against the Interim Receiver shall be limited to and only enforceable against the property and assets then held by or available to it in its capacity as interim receiver of the assets, undertaking and properties of the Companies and shall not apply to its personal property and other assets held by it in any other capacity.

ARTICLE 15
INDEMNIFICATION

15.1 Sprott-Shaw shall, during and after the termination of the Term, protect, indemnity and save the Interim Receiver, its successors and assigns, and its and their employees, officers and directors, completely free and harmless from and against any and all Claims, damages or for or in respect of any and all injuries to persons or property, or claims, actions, causes of action, proceedings, suits, obligations, liabilities, debts, costs, expenses, losses, claims, demands and fees whatsoever, arising from any cause whatsoever in connection with the performance or exercise by Sprott-Shaw of any or all of its duties, obligations or powers under this Agreement.

ARTICLE 16
UNAVOIDABLE DELAY

16.1 In the event that Sprott-Shaw or the Interim Receiver is prevented from the performance of any obligation or covenant by any condition or cause beyond the reasonable control of Sprott-Shaw or the Interim Receiver, as the case may be (provided such party is acting in good faith and in a reasonable manner with respect to such condition or cause and such condition or cause is not caused by any inability to perform because of any financial condition of Sprott-Shaw, the time for performance shall be delayed by a period of time equal to the period of such delay.

ARTICLE 17
TIME OF THE ESSENCE

17.1 Time is of the essence in the performance of this Agreement and have each provision hereof.

IN WITNESS WHEREOF this Agreement has been executed the parties hereto on the 24th day of January, 2017, but with effect as of the 25th day of January, 2017.

BDO CANADA LIMITED in its capacity as Court appointed interim receiver of all of the assets, liabilities and properties of the Companies and not in its personal capacity and without personal or corporate liability.

Per: ______________________________

JAN 25, 2017
____
Date

SPROTT-SHAW DEGREE COLLEGE CORP.

Per: ______________________________

____

Date:

SCHEDULE A
COMPANIES

1. KGIC Inc.
2. 674143 B.C. Ltd.
3. Cornerstone Academic College of ESL, Teacher Training and Test Preparation Inc.
4. Cornerstone Language School Ltd.
5. KGIC Business College (2010) Corp.
6. KGIC Business College (BC) Corp.
7. KGIC Language College (2010) Corp.
8. KGIC Language College (BC) Corp.
9. MTI Community College Ltd.
10. Pan Pacific Career College Inc.
11. Pan Pacific College (Toronto) Ltd.
12. Pan Pacific College Inc.
13. PGIC Career College Inc.
14. PGIC Toronto Inc.
15. PGIC Vancouver Studies Inc.
16. PGIC Victoria Studies Inc.
17. Study English in Canada Inc.
18. Study English in Canada (Vancouver) Inc.
19. Upper Career College of Business & Technology (Vancouver) Inc.
20. Upper Career College of Business & Technology Inc.
21. Urban International School Inc.
22. Victoria International Academy of Teacher Training Ltd.
23. Western Town Business College Ltd.
24. Western Town College Toronto Ltd.

SCHEDULE B
CAMPUSES

Campus	Legal Entity operating at Campus	Address	Legal Description	Landlord
KGIC Vancouver (ESL)	KGIC Language College (2010) Corp.	#201-1400 Robson St. Vancouver BC, V6G 1B9 Tel. +1.604.608.1135 1125 Melville Street Vancouver BC, V6E 0B7 Tel. +1.604.608.0202		
PGIC Vancouver (ESL PGIC Career College (Business)	PGIC Vancouver Studies Inc. PGIC Career College Inc.	1155 Robson St. Vancouver V6E 1B5 Tel. +1.604.687.3595		
SEC Vancouver (ESL)	Study English In Canada (Vancouver) Inc.	549 Howe St. 10F Vancouver BC, V6C 2C2 Tel. +1.604.678.8148		
UCCBT Vancouver (Business)	Upper Career College of Business & Technology (Vancouver) Inc.	549 Howe St. 10F Vancouver BC, V6C 2C2 Tel. +1.604.678.8148		
KGIBC Vancouver (Business)	KGIC Business College (2010) Corp.	200-789 W. Pender St. Vancouver BC, V6C 1H2 Tel. +1.604.683.7528		
KGIC Surrey (ESL)	KGIC Language College (2010) Corp.	200-10524 King George Blvd. Surrey BC, V3T 2X2 Tel. +1.604.930.5161		
KGIC Victoria (ESL) KGIBC Victoria (Business)	KGIC Language College (2010) Corp. KGIC Business College (2010) Corp.	#103-31 Bastion Square Victoria BC, V8W 1J1 Tel. +1.250.383.5464		

VIA Online TESOL	Victoria International Academy of Teacher Training Ltd.			
MTI Vancouver	MTI Community College Ltd.	541 Seymour Street, Vancouver BC, V6B 3H6 Tel. +1.604.844.7660		
MTI Surrey	ditto	10072 King George Boulevard, Surrey BC, V3T 2W4 Tel. +1.604.583.6020		
MTI North Road	ditto	106 - 3433 North Road, Burnaby BC, V3J 0A9 Tel. +1.604.559.6020		
MTI Chilliwack	ditto	45860 Cheam Avenue, Chilliwack BC, V2P 1N6 Tel. +1.604.392.6020		
UIS High School	Urban International School Inc.	765B Yonge St. Toronto ON, M4W 2G4 Tel. +1.416.924.1011		
KGIC Toronto (ESL)	KGIC Language College (2010) Corp.	#700-150 Eglinton Ave. East, Toronto ON, M4P 1E8 Tel. +1.416.489.0540		
KGIBC Toronto (Business)		201-150 Eglinton Ave. East, Toronto ON, M4P 1E8 Tel. +1.416.489.5804		
SEC Toronto (ESL)	Study English In Canada Inc.	120 Eglinton Ave East, 9F Toronto ON, M4P 1E2 Tel. +1.416.481.6561		
UCCBT Toronto (Business)	Upper Career College of Business & Technology Inc.	120 Eglinton Ave East, 9F Toronto ON, M4P 1E2 Tel. +1.416.481.1313		
PGIC Toronto (ESL)	PGIC Toronto Inc.	2040 Yonge St. Suite 300, Toronto ON, M4S 1Z9 Tel. +1.416.977.9800		
Cornerstone Toronto (ESL)	Cornerstone Academic College of ESL, Teacher Training and Test Preparation Inc.	80 Bloor St, W. Suite 800, Toronto ON, M5S 2V1 Tel. +1.416.218.0044		
Loyalist (KGIC Inc.) Head Office	KGIC Inc.	1255 Bay St, 8th Floor. Toronto ON. M5R 2A9 416-969-9800		