

FORM 51-102F3

MATERIAL CHANGE REPORT

1. **Name and Address of Company:**

KGIC Inc. (formerly, Loyalist Group Limited) (the "**Company**")
1255 Bay Street, 8th Floor
Toronto, Ontario
M5R 2A9

2. **Date of Material Change:**

February 4, 2016.

3. **News Release:**

A press release disclosing the material change was issued on February 17, 2016, through the facilities of Marketwired and was filed with the applicable securities regulatory authorities via SEDAR on February 17, 2016.

4. **Summary of Material Change:**

On February 17, 2016, the Company provided a business and financial update.

The Company announced that it 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 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. The Company has retained G.S. MacLeod & Associates Inc. to act as exclusive financial advisor to the Company in connection therewith.

The Company also announced that it 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 agreed to provide the Company with a discretionary, non-revolving demand credit facility in the amount of up to \$3,000,000. 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.

5. **Full Description of the Material Change:**

Please see attached news release for a full description of the material change.

6. **Reliance on Subsection 7.1(2) or (3) of National Instrument 51-102:**

Not applicable.

7. **Omitted Information:**

Not applicable.

8. **Executive Officer:**

For further information, please contact Dr. Alex MacGregor, Chief Executive Officer, at (416) 969-9800.

9. **Date of Report:**

February 22, 2016.

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.

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.