



CIBT EDUCATION GROUP INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FEBRUARY 28, 2015

UNAUDITED

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF INCOME (LOSS)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102, the Company discloses that its external auditors have not reviewed the accompanying condensed consolidated interim financial statements, notes to the condensed consolidated interim financial statements and the related Management's Discussion and Analysis.

CIBT EDUCATION GROUP INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited)

	February 28, 2015	August 31, 2014
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 1,270,466	\$ 2,706,229
Restricted cash	223,624	197,450
Short-term investments	534,468	2,118,333
Accounts receivable	9,551,522	7,323,999
Prepaid expenses	796,084	640,935
Inventory	341,670	389,758
TOTAL CURRENT ASSETS	12,717,834	13,376,704
DEPOSITS	750,000	1,575,000
CASH HELD IN TRUST	1,573,200	748,200
DUE FROM RELATED PARTIES	835,000	835,000
INTEREST DEPOSIT	500,000	-
PROPERTY AND EQUIPMENT	2,390,533	2,478,150
INVESTMENT PROPERTIES	32,600,000	-
DEFERRED COSTS	10,092	53,483
REFUNDABLE DEPOSITS	7,250,000	6,500,000
INVESTMENT IN ASSOCIATES	222,222	232,320
INTANGIBLE ASSETS	8,575,312	8,521,598
GOODWILL	5,079,437	4,793,303
DEFERRED INCOME TAX ASSETS	2,582,442	2,582,442
TOTAL ASSETS	\$ 75,086,072	\$ 41,696,200
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 3,927,130	\$ 3,819,796
Provisions	46,480	38,000
Due to GEC LP 1	2,323,200	2,323,200
Income taxes payable	173,495	155,491
Deferred educational revenue	12,086,484	9,831,156
Current portion of finance lease obligations	151,861	157,959
Current portion of long-term debt	150,000	450,000
Due to related parties	1,110,423	381,156
TOTAL CURRENT LIABILITIES	19,969,073	17,156,758
FINANCE LEASE OBLIGATIONS	473,629	508,764
LONG-TERM DEBT	23,316,692	-
DEFERRED INCOME TAX LIABILITIES	479,918	479,918
TOTAL LIABILITIES	44,239,312	18,145,440
EQUITY		
SHARE CAPITAL	48,836,693	48,836,693
RESERVES	5,767,162	5,214,064
DEFICIT	(36,313,186)	(35,814,881)
ACCUMULATED OTHER COMPREHENSIVE INCOME	351,579	158,247
EQUITY ATTRIBUTABLE TO CIBT EDUCATION GROUP INC. SHAREHOLDERS	18,642,248	18,394,123
NON-CONTROLLING INTERESTS	12,204,512	5,156,637
TOTAL EQUITY	30,846,760	23,550,760
TOTAL LIABILITIES AND EQUITY	\$ 75,086,072	\$ 41,696,200

Approved on behalf of the Board:

“Toby Chu”

Toby Chu, Chief Executive Officer & Director

“Troy Rice”

Troy Rice, Director

CIBT EDUCATION GROUP INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF INCOME (LOSS)
(Unaudited)

	Three Months Ended February 28, 2015	Three Months Ended February 28, 2014	Six Months Ended February 28, 2015	Six Months Ended February 28, 2014
REVENUES				
Educational	\$ 6,772,721	\$ 6,886,977	\$ 13,491,348	\$ 14,148,824
Design and advertising	219,584	238,966	520,045	554,571
Commissions and referral fees	101,323	136,198	206,211	548,313
Development fees	1,132,320	-	1,132,320	0
Rental	81,569	-	81,569	0
	8,307,517	7,262,141	15,431,493	15,251,708
DIRECT COSTS				
Educational	2,691,788	2,830,006	5,522,512	5,865,186
Design and advertising	49,072	123,936	143,924	249,811
Commissions and referral fees	72,550	77,371	139,202	338,790
Rental	76,127	-	76,127	-
	2,889,537	3,031,313	5,881,765	6,453,787
OTHER EXPENSES				
General and administrative	4,959,863	4,935,467	9,544,479	10,187,390
Amortization (excluding agency fees)	233,969	240,722	463,006	473,288
Share-based payment expense	4,568	8,089	7,265	9,676
Restructuring costs	-	-	-	50,000
Business development costs	22,500	-	90,000	65,125
	5,220,900	5,184,278	10,104,750	10,785,479
OPERATING INCOME (LOSS)	197,080	(953,450)	(555,022)	(1,987,558)
INTEREST AND OTHER INCOME	7,984	27,577	22,035	35,213
FOREIGN EXCHANGE GAIN	125,772	97,926	210,253	115,762
FINANCE COSTS AND FEES	(215,095)	(20,453)	(229,979)	(50,752)
GAIN FROM CHANGES IN OWNERSHIP INTERESTS	57,582	-	57,582	-
GAIN ON FAIR VALUE CHANGES IN INVESTMENT PROPERTIES	3,287,857	-	3,287,857	-
LOSS ON DISPOSAL OF ASSETS	(3,465)	(22,898)	(3,465)	(22,898)
INCOME (LOSS) BEFORE INCOME TAXES	3,457,715	(871,298)	2,789,261	(1,910,233)
INCOME TAXES				
Current income tax expense (recovery)	119	5,128	3,409	5,128
Deferred income tax expense (recovery)	-	-	-	-
	119	5,128	3,409	5,128
INCOME (LOSS) FROM CONTINUING OPERATIONS	3,457,596	(876,426)	2,785,852	(1,915,361)
INCOME (LOSS) FROM DISCONTINUED OPERATIONS	-	-	-	6,856,294
NET INCOME (LOSS)	\$ 3,457,596	\$ (876,426)	\$ 2,785,852	\$ 4,940,933
ATTRIBUTABLE TO:				
CIBT Education Group Inc. shareholders	\$ 1,022,969	\$ (916,466)	\$ 316,651	\$ 4,836,427
Non-controlling interests	2,434,627	40,040	2,469,201	104,506
NET INCOME (LOSS)	\$ 3,457,596	\$ (876,426)	\$ 2,785,852	\$ 4,940,933
BASIC AND DILUTED INCOME (LOSS) PER COMMON SHARE - CONTINUING OPERATIONS	\$ 0.05	\$ (0.01)	\$ 0.04	\$ (0.03)
BASIC AND DILUTED INCOME (LOSS) PER COMMON SHARE - DISCONTINUED OPERATIONS	0.00	0.00	0.00	0.10
BASIC AND DILUTED INCOME (LOSS) PER COMMON SHARE - CONTINUING AND DISCONTINUED OPERATIONS	\$ 0.05	\$ (0.01)	\$ 0.04	\$ 0.08
WEIGHTED AVERAGE NUMBER OF COMMON SHARES				
Basic	64,101,103	65,158,711	64,342,877	65,405,498
Diluted	64,101,103	65,158,711	64,342,877	65,405,498

The accompanying notes are an integral part of these condensed consolidated interim financial statements

CIBT EDUCATION GROUP INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited)

	Three Months Ended February 28, 2015	Three Months Ended February 28, 2014	Six Months Ended February 28, 2015	Six Months Ended February 28, 2014
NET INCOME (LOSS)	\$ 3,457,596	\$ (876,426)	\$ 2,785,852	\$ 4,940,933
OTHER COMPREHENSIVE INCOME (LOSS):				
Unrealized foreign exchange translation adjustment	222,190	111,872	337,639	136,520
	\$ 3,679,786	\$ (764,554)	\$ 3,123,491	\$ 5,077,453
ATTRIBUTABLE TO:				
CIBT Education Group Inc. shareholders	\$ 1,150,270	\$ (852,721)	\$ 509,983	\$ 4,914,259
Non-controlling interests	2,529,516	88,167	2,613,508	163,194
	\$ 3,679,786	\$ (764,554)	\$ 3,123,491	\$ 5,077,453

The accompanying notes are an integral part of these condensed consolidated interim financial statements

CIBT EDUCATION GROUP INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited)

	Share Capital		Reserves			Accumulated Other Comprehensive Income (Loss)	Deficit	Total Shareholders' Equity	Non-Controlling Interests	Total Equity
	Number of Common Shares	Dollar Amount	Warrants	Share-Based Payments	Treasury Shares					
Balance, August 31, 2013	65,934,120	\$ 48,182,766	\$ 2,415,473	\$ 3,501,570	\$ -	\$ 111,923	\$ (40,706,293)	\$ 13,505,439	\$ 1,209,395	\$ 14,714,834
Unrealized translation adjustments	-	-	-	-	-	77,832	-	77,832	58,688	136,520
Net income (loss) for the period	-	-	-	-	-	-	4,836,427	4,836,427	104,506	4,940,933
						77,832	4,836,427	4,914,259	163,194	5,077,453
Share-based payments	-	-	-	9,676	-	-	-	9,676	-	9,676
Payments to non-controlling interests	-	-	-	-	-	-	-	-	(158,885)	(158,885)
Purchase of treasury shares	-	-	-	-	(268,078)	-	-	(268,078)	-	(268,078)
Treasury share cancellations	(865,600)	-	-	-	268,078	-	(268,078)	-	-	-
Balance, February 28, 2014	65,068,520	48,182,766	2,415,473	3,511,246	-	189,755	(36,137,944)	18,161,296	1,213,704	19,375,000
Unrealized translation adjustments	-	-	-	-	-	(31,508)	-	(31,508)	(23,751)	(55,259)
Net income (loss) for the period	-	-	-	-	-	-	323,063	323,063	48,965	372,028
						(31,508)	323,063	291,555	25,214	316,769
Share-based payments	-	-	-	6,316	-	-	-	6,316	-	6,316
Payments to non-controlling interests	-	-	-	-	-	-	-	-	(77,769)	(77,769)
Non-controlling interests contributions	-	-	-	-	-	-	-	-	3,995,488	3,995,488
Purchase of treasury shares	-	-	-	-	(550,796)	-	-	(550,796)	-	(550,796)
Shares issued - stock option exercises	1,500	525	-	(165)	-	-	-	360	-	360
Shares issued - share warrant exercises	1,386,833	653,402	(168,010)	-	-	-	-	485,392	-	485,392
Balance, August 31, 2014	66,456,853	48,836,693	2,247,463	3,517,397	(550,796)	158,247	(35,814,881)	18,394,123	5,156,637	23,550,760
Unrealized translation adjustments	-	-	-	-	-	193,332	-	193,332	144,307	337,639
Net income (loss) for the period	-	-	-	-	-	-	316,651	316,651	2,469,201	2,785,852
						193,332	316,651	509,983	2,613,508	3,123,491
Share-based payments	-	-	-	7,265	-	-	-	7,265	-	7,265
Payments to non-controlling interests	-	-	-	-	-	-	-	-	(365,633)	(365,633)
Non-controlling interests contributions	-	-	-	-	-	-	-	-	4,800,000	4,800,000
Purchase of treasury shares	-	-	-	-	(269,123)	-	-	(269,123)	-	(269,123)
Treasury share cancellations	(2,523,100)	-	-	-	814,956	-	(814,956)	-	-	-
Balance, February 28, 2015	63,933,753	\$ 48,836,693	\$ 2,247,463	\$ 3,524,662	\$ (4,963)	\$ 351,579	\$ (36,313,186)	\$ 18,642,248	\$ 12,204,512	\$ 30,846,760

The accompanying notes are an integral part of these condensed consolidated interim financial statements

CIBT EDUCATION GROUP INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended February 28, 2015	Three Months Ended February 28, 2014	Six Months Ended February 28, 2015	Six Months Ended February 28, 2014
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES				
Net income (loss)	\$ 3,457,596	\$ (876,426)	\$ 2,785,852	\$ 4,940,933
Adjusted for items not involving cash:				
- amortization (including agency fees)	233,969	240,722	866,324	1,202,167
- share-based payment expense	4,568	8,089	7,265	9,676
- (gain) loss on disposal of assets	3,465	22,898	3,465	(6,833,396)
- gain from changes in ownership investment interests	(57,582)	-	(57,582)	-
- gain on fair value changes in investment properties	(3,287,857)	-	(3,287,857)	-
- finance fees	60,430	-	60,430	-
- development fees	(232,320)	-	(232,320)	-
	182,269	(604,717)	145,577	(680,620)
Net changes in non-cash working capital items	(15,282)	(1,237,382)	1,353,712	(1,111,534)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	166,987	(1,842,099)	1,499,289	(1,792,154)
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES				
Purchases of property and equipment	(154,577)	(117,980)	(211,513)	(209,892)
Restricted cash	(17,349)	(8,207)	(26,174)	(10,821)
Deposits on real estate properties	(250,000)	-	(750,000)	-
Acquisition of intangible assets	39,648	180,612	(519,959)	(502,025)
Disposal (acquisition) of investment and business assets	(29,262,143)	-	(29,262,143)	7,343,895
NET CASH FROM (USED IN) INVESTING ACTIVITIES	(29,644,421)	54,425	(30,769,789)	6,621,157
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES				
Treasury share transactions	(87,718)	(92,540)	(269,123)	(268,078)
Advances from related parties	662,061	238,677	679,267	178,333
Other receivables	-	(200,000)	-	(200,000)
Refundable deposits	-	323,200	-	323,200
Non-controlling interest draws	5,160,000	(38,885)	5,100,000	(158,885)
Finance lease obligation	(39,983)	(24,865)	(78,481)	(53,223)
Long-term debt repayments	(150,000)	(150,000)	(300,000)	(2,181,495)
Long-term debt advances	22,756,262	-	22,756,262	-
Deferred costs	119,453	176,844	43,391	(15,380)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	28,420,075	232,431	27,931,316	(2,375,528)
NET (DECREASE) INCREASE IN CASH	(1,057,359)	(1,555,243)	(1,339,184)	2,453,475
EFFECTS OF EXCHANGE RATE CHANGES ON CASH	(55,486)	(24,778)	(96,579)	100,631
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	2,383,311	7,689,546	2,706,229	3,555,419
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 1,270,466	\$ 6,109,525	\$ 1,270,466	\$ 6,109,525

The accompanying notes are an integral part of these condensed consolidated interim financial statements

CIBT EDUCATION GROUP INC.
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FEBRUARY 28, 2015
(Unaudited)

NOTE 1 – DESCRIPTION OF BUSINESS AND NATURE OF OPERATIONS

CIBT Education Group Inc. (the “Company”) is an educational management organization headquartered in Vancouver, British Columbia, Canada. The Company’s current business operations include education, media communications, income producing property and real estate development. The Company currently has four principal business units/segments, being CIBT School of Business & Technology Corp. (“CIBT”), Sprott-Shaw Degree College Corp. (“SSDC”), IRIX Design Group Inc. (“IRIX”), and Global Education City Holdings Inc. (“GEC”). The Company’s education business is conducted through CIBT and its subsidiaries in Asia, and through SSDC in Canada. The Company operates its media communications business through IRIX and its subsidiaries. IRIX is based in Canada with representatives in Hong Kong and the United States. The Company recently established a new business operation called GEC, which is an investment holding and management company with a focus on education related real estate projects in Canada.

The head office, principal address, and registered and records office of the Company are located at Suite 1200, 777 West Broadway, Vancouver, British Columbia, Canada.

On August 31, 2013, the Company entered into an agreement to sell KGIC, and accordingly the operations of KGIC has been classified as a discontinued operation in these financial statements. The sale of KGIC closed on September 17, 2013 (refer to Note 7).

NOTE 2 – BASIS OF PREPARATION

Basis of Preparation and Statement of Compliance

These condensed consolidated interim financial statements are unaudited and have been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting”. They do not include all of the information required in annual financial statements in accordance with International Financial Reporting Standards (“IFRS”), and should be read in conjunction with the Company’s 2014 annual audited consolidated financial statements which have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (“IASB”).

These financial statements were prepared on a going-concern basis, under the historical cost convention, as modified by financial assets and financial liabilities recorded at fair value through profit or loss.

The financial statements were approved by the Company’s Board of Directors and authorized for issue on April 13, 2015.

Principles of Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries as at February 28, 2015. Control exists over an investee when the Company is exposed, or has rights, to variable returns from its investee and has the ability to affect those returns through its power over the investee. Subsidiaries are included in the consolidated financial results of the Company from the effective date of acquisition up to the effective date of disposition or loss of control.

All intercompany transactions, balances, revenues and expenses have been eliminated on consolidation. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Company. Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognized from the effective date of acquisition, or up to the effective date of disposal, as applicable.

NOTE 2 – BASIS OF PREPARATION (cont'd)

Principles of Consolidation (cont'd)

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Company. The Company attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests. During the three months ended February 28, 2015, the non-controlling interests held 60% of GEC Property 3 / GEC Project 3 (refer to Note 4).

Significant Accounting Policies, Significant Accounting Judgements and Key Sources of Estimate Uncertainty

In addition to the significant accounting policies, significant accounting judgements and key sources of estimate uncertainty disclosed in the Company's 2014 annual audited consolidated financial statements, the following discloses an additional significant accounting policy, an additional significant accounting judgement and an additional key source of estimate uncertainty for the three months ended February 28, 2015.

Investment Properties

A property is determined to be an investment property when it is held either to earn rental income or for capital appreciation, rather than for the use in the production of supply for services or for administrative purposes for sale in the ordinary course of business. Investment properties are measured initially at cost, including transaction costs except where the investment property is purchased as part of a business combination. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in fair value of investment properties are including in profit or loss in the period in which they arise. Fair value is determined based on available market evidence at the balance sheet date. Subsequent capital expenditures are added to the carrying value of the investment properties only when it is probable that future economic benefits will flow to the property and the cost can be measured reliably.

Determination as Investment Property

Management uses judgement in determining if assets acquired meet the definition of investment property or owner occupied property. In cases where optional ancillary services may be available in addition to and separate from the rental of units, management must assess if those ancillary services are insignificant to the business as a whole to determine classification.

Valuation of Investment Property

The Company determines the fair value of each investment property based upon, among other things, rental income from current leases and assumptions about rental income from future leases reflecting market conditions less future cash flows relating to such current and future leases. Judgement is applied in determining the extent and frequency of independent appraisals and valuations.

NOTE 3 – REAL ESTATE DEVELOPMENT

Student Housing and Market Rental Development Projects

During the 2014 fiscal year, the Company and certain of its subsidiaries entered into several agreements and organizational transactions in connection with the development of the Company's planned student housing arm. In particular, the Company is planning to develop student centric serviced apartments for rental to domestic and foreign students studying in the Lower Mainland region of British Columbia and to provide various services to the students and their families.

In anticipation of these projects, during the 2014 fiscal year the following companies were incorporated:

- Global Education City Holdings Inc. ("GEC Holdings") as a wholly-owned subsidiary of the Company,
- CIBT Group Holdings Inc. ("CIBT Holdings") as a wholly-owned subsidiary of GEC Holdings, and
- Global Education City Management Corp. ("GEC Mgmt.") as a wholly-owned subsidiary of GEC Holdings.

NOTE 3 – REAL ESTATE DEVELOPMENT (cont'd)

The First Project (the “GEC Project 1”)

Pursuant to a Purchase and Sale Agreement dated April 1, 2014 (the “Developer 1 PSA”), CIBT Holdings entered into an agreement with a developer (“Developer 1”) and its subsidiary (the “Bare Trustee 1”) whereby CIBT Holdings agreed to purchase from Developer 1 100% of its interest in the Bare Trustee 1 and certain real property and future planned development thereon (the “GEC Property 1”). Under the terms of the Developer 1 PSA, CIBT Holdings will pay Developer 1 a total of \$31,500,000 in a series of deposits (amount refundable prior to closing upon non-completion by Developer 1) upon Developer 1, in their capacity as property developer, achieving certain developmental milestones, with the final balance due at the closing to be held following receipt of an occupancy permit. As at August 31, 2014 total refundable deposits of \$1,575,000 were paid by GEC LP 1 and accumulated in a trust account held by the Company's legal counsel. The deposit will be released to Developer 1 when security in the form of a mortgage is granted in favour of CIBT Holdings. The amount is refundable to the extent that Developer 1 does not achieve certain developmental milestones. In accordance with the Developer 1 PSA, the Developer had an option to purchase the GEC Property 1 on or before October 24, 2014. Developer 1 of GEC Project 1 did not exercise the option to purchase the GEC Property 1 by this date. In November 2014, Developer 1 and CIBT Holdings signed a mutual release to terminate the Developer PSA and during the period the refundable deposit was returned to the Company.

Pursuant to a Purchase and Sale Agreement dated February 27, 2015 (the “Developer 1-B PSA”), CIBT Holdings entered into an agreement with a new developer (“Developer 1-B”) and its subsidiary (the “Bare Trustee 1-B”) whereby CIBT Holdings agreed to purchase from Developer 1-B 100% of its interest in the Bare Trustee 1-B and certain real property and future planned development thereon (the “New GEC Property 1”). Under the terms of the Developer 1-B PSA, CIBT Holdings will pay Developer 1-B a total of \$15,300,000 in a series of deposits (amount refundable prior to closing upon non-completion by Developer 1-B) upon Developer 1-B, in their capacity as property developer, achieving certain developmental milestones, with the final balance due at the closing to be held following receipt of an occupancy permit. As at February 28, 2015, total refundable deposits of \$750,000 have been paid by CIBT Holdings to Developer 1-B with a further deposit of \$750,000 paid on March 3, 2015. The amounts are refundable to the extent that Developer 1-B does not achieve certain developmental milestones including completion of the purchase of the underlying development property. In accordance with the Developer 1-B PSA, Developer 1-B, through an affiliate, has an option to purchase the New GEC Property 1 on or before July 15, 2015.

Pursuant to a Purchase and Sale Agreement dated May 30, 2014 (the “GEC LP 1 PSA”), CIBT Holdings entered into an agreement to sell its interest in the Bare Trustee 1 and the GEC Property 1, assuming completion occurs under the Developer 1 PSA, to a GEC LP 1. The terms of payment of the deposits and final purchase price of the GEC LP 1 PSA track those of the Developer 1 PSA. Effective February 28, 2015, the original GEC LP 1 PSA was amended and updated to incorporate the New GEC Property 1 / New GEC Project 1, and to ensure consistency with the Developer 1-B PSA.

On May 30, 2014, a limited partnership was formed known as GEC LP 1 and an agreement was executed between the following partners:

- “Investor 1” as an 80% limited partner;
- GEC Holdings as a 10% limited partner;
- An unrelated third-party as the remaining 10% limited partner; and
- “GEC GP 1 Inc.” as the general partner, a newly incorporated wholly-owned subsidiary of CIBT Holdings.

The GEC LP 1 will be funded in accordance with the schedule contained in the limited partnership agreement.

Effective February 17, 2015, the GEC LP 1 limited partnership agreement was modified in connection with the New GEC Project 1. The significant amendments to the agreement are as follows:

- Name of the GEC LP 1 was changed,
- References to the project updated for the New GEC Property 1 / New GEC Project 1, and
- Modifications made to the planned timing and amount of limited partnership unit contributions and issuances.

NOTE 3 – REAL ESTATE DEVELOPMENT (cont'd)

The First Project (the “GEC Project 1”) (cont'd)

The amended GEC LP 1 agreement has planned funding and ownership as follows:

- “Investor 1” as an 80% limited partner with a total investment of \$3,838,400 of which \$1,535,360 has been invested to date;
- GEC Holdings as a 10% limited partner with a total investment of \$1,161,600 of which \$464,640 has been invested to date; and
- An unrelated third-party as the remaining 10% limited partner which will be issued to the investor for \$NIL consideration upon completion of the planned investment of Investor 1 above.

The general partner has complete responsibility for the conduct of all of the business affairs of GEC LP 1. The general partner can only be removed by major partnership resolution passed, or consented to in writing, by limited partners holding not less than 66% of the total partnership units.

Effective May 30, 2014 and amended February 15, 2015 to incorporate the New GEC Project 1, GEC Mgmt. entered into a 20 year Management Agreement with GEC LP 1 whereby GEC Mgmt. was retained to manage substantially all activities of GEC LP 1 commencing upon closing of the Developer 1 PSA, which is expected to be approximately April 2017.

In connection with the GEC Project 1, the Company entered into a Fee Agreement with Investor 1 to compensate the Company for services provided related to locating the site, negotiating the Developer 1 PSA and organizing the formation of GEC LP 1 in the amount of \$1,161,600. Investor 1 agreed to make capital contributions to GEC LP 1 on behalf of GEC Holdings for units in GEC LP 1 as payment for these services. As of August 31, 2014, \$232,320 of the amount owing by Investor 1 under the Fee Agreement had been paid and was recognized as revenue by the Company. In connection with the amended arrangements of GEC Project 1 during the period, the Company and Investor 1 agreed to the continuation of the Fee Agreement with an additional \$232,320 of the amounts owing by Investor 1 being paid and recognized as revenue by the Company. The remaining fee will be recognized to coincide with the issuance of limited partnership units.

Management has determined that the Company and certain of its subsidiaries have significant influence over GEC LP 1 (for both the original and amended arrangements), notwithstanding that GEC Holdings holds less than 20% of the voting units in GEC LP 1. Management believes that they have the power to participate in the financial and operating policy decisions of the associate as they are the general partner and have delegated responsibility to GEC Mgmt. to carry out the business of the limited partnership. As of February 28, 2015 and for the period then ended, GEC LP 1 had no operations. Accordingly, the carrying value of GEC Holdings’ investment in the GEC LP 1 in the Company’s consolidated financial statements consists only of the cumulative investment in limited partnership units totaling \$464,640 less a loss of \$242,418 as a result of the impact of non-proportionate investment to unit issuances, resulting in a net investment carrying value of \$222,222 (being 11.11% of the \$2,000,000 net assets of GEC LP 1 - refer to Note 6).

The Second Project (the “GEC Project 2”)

Pursuant to a Purchase and Sale Agreement dated May 9, 2014 (the “Developer 2 PSA”), CIBT Holdings entered into an agreement with a developer (“Developer 2”) and its subsidiary (the “Bare Trustee 2”) whereby CIBT Holdings agreed to purchase from Developer 2 100% of its interest in the Bare Trustee 2 and certain real property and future planned development thereon (the “GEC Property 2”). Under the terms of the Developer 2 PSA, CIBT Holdings will pay a total of \$42,500,000 in a series of deposits (amount refundable prior to closing upon non-completion by Developer 2) upon Developer 2, in their capacity as property developer, achieving certain developmental milestones, with the final balance due at the closing to be held following receipt of an occupancy permit. As at August 31, 2014 and February 28, 2015, refundable deposits of \$6,500,000 were paid to Developer 2 upon receipt of security in the form of a mortgage granted in favour of CIBT Holdings. The amount is refundable to the extent that Developer 2 does not achieve certain developmental milestones.

At February 28, 2015, Developer 2 and Bare Trustee 2 owned all the parcels of land required for the GEC Project 2 development. GEC Project 2 is now waiting for re-zoning approvals and development permits to be issued to Developer 2.

NOTE 3 – REAL ESTATE DEVELOPMENT (cont'd)

The Second Project (the “GEC Project 2”) (cont'd)

Pursuant to a Purchase and Sale Agreement dated May 12, 2014 (the “GEC LP 2 PSA”), CIBT Holdings entered into an agreement to sell its interest in the Bare Trustee 2 and the GEC Property 2, assuming completion occurs under the Developer 2 PSA, to a limited partnership. The terms of payment of the deposits and final purchase price of the GEC LP 2 PSA track those of the Developer 2 PSA.

On May 12, 2014, a limited partnership was formed known as GEC LP 2 and an agreement was executed between the following partners:

- “Investor 2” as a limited partner;
- GEC Holdings as a limited partner, and;
- “GEC GP 2 Inc.” as the general partner, a newly incorporated wholly-owned subsidiary of CIBT Holdings.

The GEC LP 2 will be funded in accordance with the schedule contained in the limited partnership agreement. Upon completion of the funding of the GEC LP 2, the limited partnership units will be owned 38.5% by GEC Holdings and 61.5% by Investor 2. GEC Holdings has committed to contribute total of \$4,455,000 for its partnership units.

Pursuant to the GEC LP 2 funding requirements, GEC is required to provide capital contributions totaling \$4,455,000. As at August 31, 2014 and February 28, 2015, GEC has paid \$1,950,000 into GEC LP 2. The balance of \$2,505,000 is due in various stages ending on or before May 16, 2016.

Management has determined that the Company and certain of its subsidiaries have control over GEC LP 2, notwithstanding that GEC Holdings currently holds only 45.5% of the voting units in GEC LP 2 as at February 28, 2015. Management believes that the Company and its subsidiaries have the power to determine the financial and operating policy decisions of GEC LP 2 and that the Company and its subsidiaries have exposure or rights to variable returns from its involvement with GEC LP 2. Additionally, the general partner can only be removed by major partnership resolution passed, or consented to in writing, by limited partners holding not less than 66% of the total partnership units. Accordingly, the Company has consolidated the results of GEC LP 2.

Effective May 12, 2014, GEC Mgmt. entered into a 20 year Management Agreement with GEC LP 2 whereby GEC Mgmt. was retained to manage substantially all the activities of the GEC LP 2 commencing upon closing of the Developer 2 PSA, which is expected to be approximately February 2017.

In connection with the GEC Project 2, the Company entered into a Fee Agreement with the general partner to compensate the Company for services provided related to locating the site, negotiating the Developer 1 PSA and organizing the formation of GEC LP 2 in the amount of \$1,485,000. The parties further agreed to settle the amount owing through the issuance of 100 fully paid limited partnership units of GEC LP 2 to the Company’s wholly-owned subsidiary, GEC Holdings. As of August 31, 2014, \$1,389,512 of the fee has been recognized as revenue, representing the value of GEC Holdings’ interest in the limited partnership. No further revenues have been recognized in the current period ended February 28, 2015.

Management has determined that the Company and certain of its subsidiaries have control over GEC LP 2 and, accordingly, have consolidated the results of GEC LP 2 for the period subsequent to its formation. Notwithstanding the fact that GEC Holdings owns less than the majority of voting units at August 31, 2014 and February 28, 2015, the GEC LP 2 Agreement does not allow for the removal of the general partner unless 66% of the units could be voted to effect this change, which will not be the case. Furthermore, as the general partner and GEC Mgmt. will direct the business of the partnership they are considered to have control. The GEC LP 2 is governed by the limited partnership agreement which specifies restrictions on the use of assets and distributions. As of February 28, 2015 and for the period then ended, GEC LP 2 had no operations or cash flows from operations.

NOTE 4 – ASSET ACQUISITION

The Third Project (the “GEC Project 3”)

Pursuant to a Purchase and Sale Agreement dated January 19, 2015 (the “Vendor PSA”), CIBT Holdings entered into an agreement with a vendor (“Vendor”) and its subsidiary (the “Bare Trustee 3”) whereby CIBT Holdings agreed to purchase from Vendor 100% of its interest in Bare Trustee 3 and certain real property and land (the “GEC Property 3” or “GEC Project 3”). The GEC Project 3 was purchased to support the development of the Company’s planned student housing arm including student centric serviced apartments for rental.

On December 13, 2014, a limited partnership was formed known as GEC LP 3 and an agreement was executed between the following partners:

- “Investor 3” as a 60% limited partner;
- GEC Holdings as a 20% limited partner;
- An unrelated third-party as the remaining 20% limited partner; and
- “GEC GP 3 Inc.” as the general partner, a newly incorporated wholly-owned subsidiary of CIBT Holdings.

The GEC LP 3 will be funded in accordance with the schedule contained in the limited partnership agreement.

The general partner has complete responsibility for the conduct of all of the business affairs of GEC LP 3. The general partner can only be removed by major partnership resolution passed, or consented to in writing, by limited partners holding not less than 60% of the total partnership units.

On January 29, 2015, GEC LP 3 purchased the land, building, chattels, lease and rights related to the property and 100% of the interest in the Bare Trustee 3 for total cash consideration of \$29,319,000. This purchase was considered an asset acquisition and was classified as an investment property with the exception of \$111,423 related to furniture. All transactions costs were capitalized to the investment property.

Effective December 13, 2014, GEC Mgmt. entered into a 20 year Management Agreement with GEC LP 3 whereby GEC Mgmt. was retained to manage substantially all activities of the GEC LP 3 commencing upon closing of the Vendor PSA.

In connection with the GEC Project 3, the Company entered into a Fee Agreement with Investor 3 to compensate the Company for services provided related to locating the site, negotiating the Vendor PSA and organizing the formation of GEC LP 3 in the amount of \$900,000. As of February 28, 2015, all amounts owing by Investor 3 under the Fee Agreement had been paid and was recognized as revenue by the Company.

Management has determined that the Company and certain of its subsidiaries have control over GEC LP 3 and, accordingly, have consolidated the results of GEC LP 3 for the period subsequent to its formation. Notwithstanding the fact that GEC Holdings owns less than the majority of voting units (20%) at February 28, 2015, the Company meets all the requirements of control under IFRS 10 – Consolidated Financial Statements. The Company has power over the investee, has exposure, or rights to variable returns from its involvement, and has the ability to use its power to affect the amount of investors’ returns. Rights held by the 60% limited partner (Investor 3) were determined to be protective and not substantive, and did not preclude the control assessment. The general partner and GEC Mgmt. will direct the business of the partnership. GEC LP 3 is governed by the limited partnership agreement which specifies restrictions on the use of assets and distributions.

NOTE 5 – INVESTMENT PROPERTIES

During the three months ended February 28, 2015, GEC LP 3 purchased assets (GEC Property 3) which are considered an investment property. This investment property is a multi-purpose rental building including retail, office and residential rental space. On initial recognition the investment property was recorded at cash consideration paid plus transaction costs. The Company selected the fair value model to apply to its investment property. The Company determined the fair value of the property at February 28, 2015 to be \$32,600,000 based on a variety of factors including management’s knowledge of the property and recent market transactions in the area. Management intends to obtain a valuation as part of its fiscal 2015 year end. At February 28, 2015, a fair value gain of \$3,287,857 was recognized and recorded.

NOTE 5 – INVESTMENT PROPERTIES (cont'd)

The following table is a reconciliation of the investment property balances.

	February 28, 2015
Balance, beginning of period	\$ -
Acquisition of GEC Property 3	29,319,000
Reclassification to property and equipment	(111,423)
Transaction costs	104,566
Gain on fair value changes	3,287,857
Balance, end of period	\$ 32,600,000

GEC LP 3 plans to commence renovations of a portion of the rental suites in GEC Property 3 which is expected to be significantly completed by January 2016. The majority of the office and residential rental units will be converted to accommodate student housing. During the three months ended February 28, 2015, there was \$81,569 of rental revenues which were offset by \$76,127 of direct operating expenses associated with the investment property. There were no ancillary services provided to date.

NOTE 6 – INVESTMENT IN ASSOCIATES

The Company has an investment in an associate, being GEC LP 1, which has been accounted for following the equity method. The nature of the investment is disclosed in Note 3 - The First Project (the "GEC Project 1").

The following table summarizes the financial information of GEC LP 1 and the carrying amount of the Company's investment therein as of August 31, 2014 and February 28, 2015.

GEC LP 1 – Net Assets and Investment Carrying Value	February 28, 2015	August 31, 2014
Assets		
Cash in trust	\$ -	\$ 748,200
Refundable property deposit in trust	-	1,575,000
Refundable property deposit	750,000	-
Amount due from related parties	1,250,000	-
Total net assets and equity	\$ 2,000,000	\$ 2,323,200
Company's ownership percentage	11.11%	10.00%
Carrying value of investment	\$ 222,222	\$ 232,320

The following table shows the continuity of the Company's carrying value of GEC LP 1 for the period from August 31, 2014 to February 28, 2015.

	GEC LP 1
Carrying value – August 31, 2014	\$ 232,320
Additional investments paid on behalf of the Company	232,320
Gain (loss) resulting from changes in ownership percentage	(242,418)
Share of net income (loss) in investee	-
Carrying value – February 28, 2015	\$ 222,222

NOTE 6 – INVESTMENT IN ASSOCIATES (cont'd)

For the period ended February 28, 2015, GEC LP 1 had no operations. Accordingly, for the period ended February 28, 2015 the Company's share of the operations of GEC LP 1 was \$NIL.

NOTE 7 – DISCONTINUED OPERATIONS

Effective August 31, 2013, the Company and its subsidiary, CIBT School of Business & Technology Corp., entered into an agreement to sell to Loyalist Group Limited ("Loyalist"), 100% of the issued and outstanding common shares of the Company's respective subsidiaries, KGIC Business College (2010) Corp. and KGIC Language College (2010) Corp., who collectively make up the KGIC operations.

The total purchase price for this transaction was \$13,500,000 of which \$9,500,000, subject to certain adjustments, was due upon closing and a further \$4,000,000 was secured by way of a non-interest bearing promissory note issued by Loyalist in favour of the Company due six months after closing. The amount of the promissory note could be reduced to the extent of certain adjustments contemplated within the agreement and could be extended to 270 days from the original closing as may be required to finalize these adjustments. Further, in connection with the transaction, upon closing Loyalist assumed and paid all amounts owing by KGIC to the Company and its other subsidiaries.

On March 17, 2014, the Company received \$3,612,639 from the \$4,000,000 promissory note in connection with the sale of KGIC to Loyalist. The balance of \$387,361 was mutually agreed upon by the Company and by Loyalist as an adjustment to working capital, and accordingly the gain on sale of KGIC was reduced by this amount.

NOTE 8 – LONG-TERM DEBT

The carrying value of long-term debt in the Company is as follows:

	February 28, 2015	August 31, 2014
<u>SSDC</u>		
Demand term instalment loan, payable in monthly instalments of \$50,000 plus interest at the prime rate plus 2%, due June 2018	\$ 150,000	\$ 450,000
<u>GEC Project 3</u>		
Refer to GEC Project 3 debt below	23,316,692	-
	23,466,692	450,000
	(150,000)	(450,000)
Less: current portion	\$ 23,316,692	\$ -

SSDC Debt

In addition to the demand term instalment loan, SSDC has a demand operating credit facility available in the amount of \$1,500,000 with interest calculated at the prime rate plus 2%. As at February 28, 2015, the demand operating facility was not utilized. The demand operating credit facility and the demand term instalment loan is secured as follows:

- first priority security interest in the assets of SSDC
- assignment of fire and perils insurance on the property of SSDC
- postponement of claims from the Company on advances to SSDC

The debt covenants, calculated using SSDC's financial statements, of the demand term instalment loan are as follows:

- the senior debt to earnings before interest, taxes, depreciation and amortization ratio not to exceed 1.75 to 1.0 at any time
- the adjusted current ratio is not less than 1.75 to 1.0 at any time
- the adjusted fixed charge coverage ratio is not less than 1.0 to 1.0 at any time

The debt covenants are defined in accordance with the agreement between SSDC and the banking facility.

NOTE 8 – LONG-TERM DEBT (cont'd)

GEC Project 3 Debt

In connection with the acquisition and planned development of GEC Project 3 as described in Note 4, effective January 12, 2015 GEC LP 3, Bare Trustee 3 and GEC GP 3 (collectively the “Borrowers”) obtained a first mortgage loan (the “Mortgage”) to finance the acquisition and renovation of GEC Project 3. The Mortgage is for a total of \$30,560,000 to be advanced as follows:

- \$24,021,050 to complete the acquisition of GEC Project 3 of which \$22,942,541 was paid to the GEC Project 3 vendors, \$500,000 was deposited into trust as a reserve against future cost over runs, \$564,788 was paid on account of loan related finance costs and \$13,721 was paid to the lender for interest for the period from the first advance to February 1, 2015 (the “interest adjustment date”),
- \$4,638,950 to be advanced as progress draws in connection with the planned renovation of GEC Project 3, and
- \$1,900,000 to be used to fund payments of interest accruing on the Mortgage.

The Mortgage is due 13 months from the interest adjustment date and bears interest at a rate for the first year being the greater of the following with the interest rate increasing to 15% thereafter:

- 6.95% per annum, and
- HSBC prime plus 3.95%.

Interest will be calculated daily on the balance of loan principal and interest outstanding and will be compounded monthly. Interest is payable monthly with the Borrowers being required to pay a minimum of \$33,333 per month for each of the first three months. Unpaid interest will be paid by way of advances from the lender as described above to a maximum of \$1,900,000.

The Mortgage is secured as follows:

- A \$30,560,000 first mortgage over the GEC Project 3 property,
- A guarantee by Sprott-Shaw Degree College Corp.,
- A \$500,000 secured deposit held by the lender’s lawyer to be applied against cost over runs at the lender’s discretion,
- A general security agreement from each of the Borrowers.

In connection with the Mortgage, the Company incurred a total of \$764,788 in costs which have been included in the carrying value of the Mortgage and will be accreted as finance costs over the term of the Mortgage on an effective interest basis. During the period, a total of \$60,430 of these costs was expensed. In addition, during the period a total of \$141,789 of interest was accrued in connection with the Mortgage of which \$128,068 was included in accounts payable and accrued liabilities as of February 28, 2015.

NOTE 9 – SHARE CAPITAL

Authorized Shares

Authorized share capital consists of 150,000,000 common shares without par value.

Share Purchase Warrants

At February 28, 2015, the Company had no share purchase warrants outstanding.

Stock Options

The Company has stock options outstanding to certain employees, officers and directors providing the right to purchase up to 3,398,500 shares at prices ranging from \$0.24 per share to \$0.42 per share exercisable for periods ending from March 1, 2016 to July 10, 2019.

NOTE 9 – SHARE CAPITAL (cont'd)**Stock Options (cont'd)**

The Company has in place a rolling stock option plan (the “Plan”) whereby a maximum of 10% of the issued and outstanding shares of the Company, from time to time, may be reserved for issuance pursuant to the exercise of options. The material terms of the Plan are as follows:

- The term of any options granted under the Plan is fixed by the board of directors at the time the options are granted, to a maximum term of five years.
- The exercise price of any options granted under the Plan is determined by the board of directors, but shall not be less than the last closing price on the TSX Exchange of the Company’s common shares preceding the grant of such options, less any permitted discount.
- Unless otherwise imposed by the board of directors, no vesting requirement applies to options granted under the Plan but a four month hold period, commencing from the date of grant of an option, applies to all shares issued upon exercise of an option.
- All options granted under the Plan are non-assignable and non-transferable.
- If an option holder ceases to hold a position with the Company in which the option holder would be eligible to be granted an option (other than by reason of death), then the option granted shall expire on the 30th day following the date that the option holder ceases to hold any such position.

Details of options outstanding as at February 28, 2015 are as follows:

Number of Options	Exercise Price	Expiry Date	Remaining Contractual Life
1,265,000	\$0.42	March 1, 2016	1.01 years
2,103,500	\$0.24	January 6, 2017	1.86 years
30,000	\$0.37	July 10, 2019	4.36 years
<u>3,398,500</u>			

As at February 28, 2015, a total of 3,376,000 stock options were exercisable with a weighted average exercise price of \$0.31 per share

NOTE 10 – TREASURY SHARES

In accordance with TSX Exchange approval and the provisions of a normal course issuer bid, the Company from time to time acquires its own common shares into treasury. Effective February 24, 2014, the Company received approval from the TSX to a normal course issuer bid to purchase for re-sale up to 3,000,000 of the Company’s common shares to a maximum aggregate acquisition cost of \$1,000,000. The normal course issuer bid expired on February 23, 2015. Effective February 27, 2015, the Company received approval from the TSX to a normal course issuer bid to purchase for re-sale up to 3,000,000 of the Company’s common shares to a maximum aggregate acquisition cost of \$1,000,000. The normal course issuer bid expires on February 26, 2016.

During the six months ended February 28, 2015, the Company cancelled a total of 2,523,100 treasury shares with an accumulated cost of \$814,956.

Details of changes in the Company’s treasury shares balance are as follows:

	Number	Value
Balance, August 31, 2014	1,570,100	\$ 550,796
Purchases of treasury shares	971,000	269,123
Cancellation of treasury shares	(2,523,100)	(814,956)
Balance, February 28, 2015	<u>18,000</u>	<u>\$ 4,963</u>

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FEBRUARY 28, 2015

(Unaudited)

NOTE 11 – GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses are comprised of the following:

	Three Months Ended February 28, 2015	Three Months Ended February 28, 2014	Six Months Ended February 28, 2015	Six Months Ended February 28, 2014
Advertising	\$ 804,721	\$ 860,352	\$ 1,726,483	\$ 2,112,995
Bank charges and interest	49,973	45,756	102,626	93,633
Consulting and management fees	298,883	254,180	457,735	545,419
Directors insurance	15,766	22,500	15,766	22,500
Investor relations	37,758	19,748	59,506	49,488
Office and general	495,132	600,722	1,013,117	1,172,691
Professional fees	402,504	180,937	518,929	341,493
Rent	778,857	790,514	1,511,330	1,565,965
Salaries and benefits	1,994,179	2,080,879	3,980,620	4,107,307
Travel and promotion	82,090	79,879	158,367	175,899
	\$ 4,959,863	\$ 4,935,467	\$ 9,544,479	\$ 10,187,390

NOTE 12 – NET CHANGES IN NON-CASH WORKING CAPITAL ITEMS

Net changes in non-cash working capital items are comprised of the following:

	Three Months Ended February 28, 2015	Three Months Ended February 28, 2014	Six Months Ended February 28, 2015	Six Months Ended February 28, 2014
Short-term investments	\$ 589,330	\$ -	\$ 1,583,865	\$ -
Accounts receivable	(377,513)	(513,949)	(1,754,979)	(1,941,069)
Prepaid expenses	(84,536)	(76,782)	(146,005)	(332,216)
Inventory	30,125	(36,689)	48,088	(11,905)
Accounts payable and accrued liabilities	(557,680)	22,088	(579,240)	177,528
Provisions	8,480	(201,184)	8,480	(115,841)
Income taxes payable	(170)	(2,587)	(266)	(2,587)
Deferred educational revenues	376,682	(428,279)	2,193,769	1,114,556
	\$ (15,282)	\$ (1,237,382)	\$ 1,353,712	\$ (1,111,534)

NOTE 13 – RELATED PARTY TRANSACTIONS

Significant transactions between the Company and the following related parties:

	February 28, 2015	August 31, 2014
Accounts receivable - Weifang University (1)	\$ 4,362,930	\$ 3,600,878
Accounts payable - Weifang University (1)	\$ 560,838	\$ 782,854
Due to officers, employees, directors and non-arm's length investors (2)	\$ 1,110,423	\$ 381,156
Due from officers, employees, directors and non-arm's length investors (3)	\$ 835,000	\$ 835,000

- 1) CIBT has a business venture with Weifang University with a 60% interest in Beihai College. Beihai College is a Chinese Government approved college which has been in operation since 2002. Effective July 1, 2007, the Chinese Government implemented a new cash management policy affecting Beihai College. The tuition fees of Beihai College are required to be directly remitted to the local Chinese Government when tuition fees are received, and the funds are held by the Chinese Government under the account of Weifang. Beihai College can receive funds for its operations from Weifang on an as-needed basis up to the amount of the tuition fees collected.
- 2) As of February 28, 2015, the amount due to officers, employees, directors and non-arm's length investors is comprised of \$1,323 (August 31, 2014 – \$41,377) due to officers and directors of the Company, \$164,100 (August 31, 2014 – \$164,779) due to the President of IRIX, \$175,000 (August 31, 2014 – \$175,000) due to Investor 2 of GEC Project 2 development, and \$770,000 (August 31, 2014 – \$NIL) due to Investor 3 and the third-party investor of GEC Project 3 development. The \$1,323 due to officers and directors of the Company is non-interest bearing and has no fixed terms of repayment. The \$164,100 due to the President of IRIX is non-interest bearing and has no fixed terms of repayment. The \$175,000 due to Investor 2 is non-interest bearing and has no fixed terms of repayment. The \$770,000 due to Investor 3 and the third-party investor is non-interest bearing and has no fixed terms of repayment. Transactions with related party are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Such amounts are included as part of the cash flows from operating activities in the Consolidated Statements of Cash Flow.
- 3) As at February 28, 2015, \$835,000 (August 31, 2014 – \$835,000) was due from Investor 2 in GEC Project 2 development. Amounts due are non-interest bearing with no set terms of payment and will be repaid through additional funding of GEC Project 2 LP by Investor 2.

During the six month period ended February 28, 2015, the Company and its subsidiaries incurred a total of \$355,177 (six month period ended February 28, 2014 – \$358,177) for management fees and salaries paid to certain directors and officers employed by the Company and its subsidiaries.

NOTE 14 – SEGMENTED INFORMATION

The Company's primary industry and geographic segments are in China where CIBT operates technical and career training schools, and in Canada where SSDC operates technical and career training schools, IRIX conducts web design and advertising services, and GEC conducts education related real estate projects. The Company's corporate operations are also in Canada. Transactions between CIBT, SSDC, IRIX, GEC and the Company (Corporate) are reported as inter-segment transactions, and are eliminated on consolidation. Inter-segment transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the parties. Information reported to the Company's Chief Executive Officer for the purposes of resource allocation and assessment of segment performance focuses on the Company's business segments by geographic segments.

Industry and Geographic Segments

	Six Months Ended February 28, 2015						
	CIBT (China)	SSDC (Canada)	KGIC (Canada)	IRIX (Canada)	GEC (Canada)	Corporate (Canada)	Consolidated
Revenues							
Educational	\$ 1,246,582	\$ 12,244,766	\$ -	\$ -	\$ -	\$ -	\$ 13,491,348
Design and advertising	-	-	-	520,045	-	-	520,045
Commissions and referral fees	206,211	-	-	-	-	-	206,211
Development fees	-	-	-	-	-	1,132,320	1,132,320
Rental	-	-	-	-	81,569	-	81,569
	\$ 1,452,793	\$ 12,244,766	\$ -	\$ 520,045	\$ 81,569	\$ 1,132,320	\$ 15,431,493
Revenues, net of direct costs	\$ 588,939	\$ 7,446,906	\$ -	\$ 376,121	\$ 5,442	\$ 1,132,320	\$ 9,549,728
Other expenses and items:							
General and administrative	(643,871)	(6,850,527)	-	(394,337)	(155,353)	(1,500,391)	(9,544,479)
Amortization	(91,782)	(353,019)	-	(12,245)	(1,857)	(4,103)	(463,006)
Share-based payment expense	-	-	-	-	-	(7,265)	(7,265)
Restructuring costs	-	-	-	-	-	-	-
Business development costs	-	-	-	-	-	(90,000)	(90,000)
Interest and other income	3,135	-	-	7,788	-	11,112	22,035
Foreign exchange gain	194,048	-	-	8,170	-	8,035	210,253
Finance costs and fees	-	(27,759)	-	-	(202,220)	-	(229,979)
Gain from changes in ownership investment interests	-	-	-	-	57,582	-	57,582
Gain on fair value changes in investment properties	-	-	-	-	3,287,857	-	3,287,857
Loss on disposal of assets	-	(3,465)	-	-	-	-	(3,465)
Income tax recovery (provision), net	(3,409)	-	-	-	-	-	(3,409)
Inter-segment transactions	19,967	(1,007,593)	-	9,890	6,525	971,211	-
Income (loss) from continuing operations	67,027	(795,457)	-	(4,613)	2,997,976	520,919	2,785,852
Discontinued operations	-	-	-	-	-	-	-
Inter-segment transactions - discontinued operations	-	-	-	-	-	-	-
Net income (loss)	\$ 67,027	\$ (795,457)	\$ -	\$ (4,613)	\$ 2,997,976	\$ 520,919	\$ 2,785,852

NOTE 14 – SEGMENTED INFORMATION (cont'd)

Industry and Geographic Segments	February 28, 2015						
	CIBT (China)	SSDC (Canada)	KGIC (Canada)	IRIX (Canada)	GEC (Canada)	Corporate (Canada)	Consolidated
Total assets	\$ 6,560,940	\$ 20,716,961	\$ -	\$ 302,113	\$ 43,197,994	\$ 4,308,064	\$ 75,086,072
Property and equipment	\$ 356,866	\$ 1,792,132	\$ -	\$ 84,246	\$ 124,238	\$ 33,051	\$ 2,390,533
Investment properties	\$ -	\$ -	\$ -	\$ -	\$ 32,600,000	\$ -	\$ 32,600,000
Intangible assets	\$ 791,155	\$ 7,784,157	\$ -	\$ -	\$ -	\$ -	\$ 8,575,312
Goodwill	\$ -	\$ 5,079,437	\$ -	\$ -	\$ -	\$ -	\$ 5,079,437
Total liabilities	\$ 1,459,052	\$ 14,634,841	\$ -	\$ 444,454	\$ 25,249,556	\$ 2,451,409	\$ 44,239,312
Non-controlling interests	\$ 1,162,780	\$ 0	\$ -	\$ (210,836)	\$ 11,252,568	\$ -	\$ 12,204,512
Capital expenditures	\$ 31,884	\$ 50,619	\$ -	\$ 2,915	\$ 126,095	\$ -	\$ 211,513

NOTE 14 – SEGMENTED INFORMATION (cont'd)

Industry and Geographic Segments

	Six Months Ended February 28, 2014						
	CIBT (China)	SSDC (Canada)	KGIC (Canada)	IRIX (Canada)	GEC (Canada)	Corporate (Canada)	Consolidated
Revenues							
Educational	\$ 1,455,240	\$ 12,693,584	\$ -	\$ -	\$ -	\$ -	\$ 14,148,824
Design and advertising	-	-	-	554,571	-	-	554,571
Commissions and referral fees	548,313	-	-	-	-	-	548,313
Development fees	-	-	-	-	-	-	-
Rental	-	-	-	-	-	-	-
	<u>\$ 2,003,553</u>	<u>\$ 12,693,584</u>	<u>\$ -</u>	<u>\$ 554,571</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,251,708</u>
Revenues, net of direct costs	878,502	7,614,659	-	304,760	-	-	8,797,921
Other expenses and items:							
General and administrative	(924,723)	(7,430,473)	-	(390,368)	-	(1,441,826)	(10,187,390)
Amortization	(91,400)	(366,151)	-	(12,851)	-	(2,886)	(473,288)
Share-based payment expense	-	-	-	-	-	(9,676)	(9,676)
Restructuring costs	-	-	-	-	-	(50,000)	(50,000)
Business development costs	-	-	-	-	-	(65,125)	(65,125)
Interest and other income	3,744	-	-	6,482	-	24,987	35,213
Foreign exchange gain	109,431	-	-	4,728	-	1,603	115,762
Finance costs and fees	-	(47,020)	-	-	-	(3,732)	(50,752)
Gain from changes in ownership investment interests	-	-	-	-	-	-	-
Gain on fair value changes in investment properties	-	-	-	-	-	-	-
Loss on disposal of assets	-	(22,898)	-	-	-	-	(22,898)
Income tax recovery (provision), net	(4,758)	(370)	-	-	-	-	(5,128)
Inter-segment transactions	-	(982,117)	-	8,027	-	974,090	-
Income (loss) from continuing operations	(29,204)	(1,234,370)	-	(79,222)	-	(572,565)	(1,915,361)
Discontinued operations	-	-	6,856,294	-	-	-	6,856,294
Inter-segment transactions - discontinued operations	-	-	-	-	-	-	-
Net income (loss)	<u>\$ (29,204)</u>	<u>\$ (1,234,370)</u>	<u>\$ 6,856,294</u>	<u>\$ (79,222)</u>	<u>\$ -</u>	<u>\$ (572,565)</u>	<u>\$ 4,940,933</u>

NOTE 14 – SEGMENTED INFORMATION (cont’d)

Industry and Geographic Segments	February 28, 2014						
	CIBT (China)	SSDC (Canada)	KGIC (Canada)	IRIX (Canada)	GEC (Canada)	Corporate (Canada)	Consolidated
Total assets	\$ 6,378,163	\$ 20,170,739	\$ -	\$ 282,456	\$ -	\$ 10,515,194	\$ 37,346,552
Property and equipment	\$ 407,677	\$ 1,921,202	\$ -	\$ 106,427	\$ -	\$ 16,085	\$ 2,451,391
Investment properties	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intangible assets	\$ 865,439	\$ 7,925,703	\$ -	\$ -	\$ -	\$ -	\$ 8,791,142
Goodwill	\$ -	\$ 4,793,303	\$ -	\$ -	\$ -	\$ -	\$ 4,793,303
Total liabilities	\$ 1,443,128	\$ 14,236,583	\$ -	\$ 455,053	\$ -	\$ 858,987	\$ 16,993,751
Non-controlling interests	\$ 1,006,261	\$ 431,510	\$ -	\$ (214,089)	\$ -	\$ -	\$ 1,223,682
Capital expenditures	\$ 37,467	\$ 168,610	\$ -	\$ 3,815	\$ -	\$ -	\$ 209,892

--- END OF FINANCIAL STATEMENTS ---