



CIBT EDUCATION GROUP INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NOVEMBER 30, 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)

	November 30, 2015	August 31, 2015
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 693,216	\$ 2,286,631
Restricted cash	229,792	227,564
Accounts receivable	11,471,799	7,975,499
Prepaid expenses	620,184	714,763
Inventory	414,073	441,150
TOTAL CURRENT ASSETS	13,429,064	11,645,607
CASH HELD IN TRUST	131,963	660,010
DUE FROM RELATED PARTIES	735,000	735,000
DEPOSIT RESERVE	500,000	500,000
PROPERTY AND EQUIPMENT	2,219,174	2,518,789
INVESTMENT PROPERTIES	38,742,005	38,100,000
DEFERRED COSTS	-	10,306
REFUNDABLE DEPOSITS	13,175,000	10,875,000
INVESTMENT IN ASSOCIATES	238,112	240,440
INTANGIBLE ASSETS	8,048,391	8,472,376
GOODWILL	4,403,303	4,793,303
DEFERRED INCOME TAX ASSETS	2,115,926	2,115,926
ASSETS HELD FOR SALE	1,235,605	-
TOTAL ASSETS	\$ 84,973,543	\$ 80,666,757
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 5,410,250	\$ 4,726,161
Due to GEC LP 1	3,131,963	2,160,010
Income taxes payable	177,822	176,259
Deferred educational revenue	10,933,830	10,319,570
Current portion of finance lease obligations	112,192	208,094
Current portion of long-term debt	24,163,649	23,675,080
Due to related parties	1,943,838	1,847,159
TOTAL CURRENT LIABILITIES	45,873,544	43,112,333
FINANCE LEASE OBLIGATIONS	453,528	457,416
LONG-TERM DEBT	-	-
DEFERRED INCOME TAX LIABILITIES	972,246	972,246
LIABILITIES HELD FOR SALE	1,131,479	-
TOTAL LIABILITIES	48,430,797	44,541,995
EQUITY		
SHARE CAPITAL	49,930,446	49,930,446
RESERVES	5,884,334	5,884,084
DEFICIT	(35,077,427)	(35,589,817)
ACCUMULATED OTHER COMPREHENSIVE INCOME	205,802	381,698
EQUITY ATTRIBUTABLE TO CIBT EDUCATION GROUP INC. SHAREHOLDERS	20,943,155	20,606,411
NON-CONTROLLING INTERESTS	15,599,591	15,518,351
TOTAL EQUITY	36,542,746	36,124,762
TOTAL LIABILITIES AND EQUITY	\$ 84,973,543	\$ 80,666,757

Approved on behalf of the Board:

“Toby Chu”
Toby Chu, Chief Executive Officer & Director

“Troy Rice”
Troy Rice, Director

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

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

	Three Months Ended November 30, 2015	Three Months Ended November 30, 2014
REVENUES		
Educational	\$ 7,059,127	\$ 6,718,627
Design and advertising	224,823	300,461
Commissions and referral fees	295,607	104,888
Development fees	1,443,076	-
Rental	341,787	-
	<u>9,364,420</u>	<u>7,123,976</u>
DIRECT COSTS		
Educational	3,082,428	2,830,724
Design and advertising	56,836	94,852
Commissions and referral fees	239,585	66,652
Rental	202,538	-
	<u>3,581,387</u>	<u>2,992,228</u>
OTHER EXPENSES		
General and administrative	4,932,206	4,584,616
Amortization of property, equipment and intangible assets (excluding agency fees)	244,799	229,037
Share-based payment expense	250	2,697
Business development costs	-	67,500
	<u>5,177,255</u>	<u>4,883,850</u>
OPERATING INCOME (LOSS)	<u>605,778</u>	<u>(752,102)</u>
INTEREST AND OTHER INCOME	810	14,051
FOREIGN EXCHANGE GAIN (LOSS)	15,486	84,481
FINANCE COSTS	(48,506)	(14,884)
FINANCE FEES	(174,477)	-
INCOME (LOSS) FROM INVESTMENT IN ASSOCIATES	(2,328)	-
GAIN (LOSS) ON DISPOSAL OF ASSETS	(8,863)	-
INCOME (LOSS) BEFORE INCOME TAXES	<u>387,900</u>	<u>(668,454)</u>
INCOME TAXES		
Current income tax expense (recovery)	-	3,290
Deferred income tax expense (recovery)	-	-
	<u>-</u>	<u>3,290</u>
INCOME (LOSS) FROM CONTINUING OPERATIONS	<u>387,900</u>	<u>(671,744)</u>
INCOME (LOSS) FROM DISCONTINUED OPERATIONS	<u>-</u>	<u>-</u>
NET INCOME (LOSS)	<u>\$ 387,900</u>	<u>\$ (671,744)</u>
ATTRIBUTABLE TO:		
CIBT Education Group Inc. shareholders	\$ 512,390	\$ (706,318)
Non-controlling interests	(124,490)	34,574
NET INCOME (LOSS)	<u>\$ 387,900</u>	<u>\$ (671,744)</u>
BASIC AND DILUTED INCOME (LOSS) PER COMMON SHARE - CONTINUING OPERATIONS	\$ 0.01	\$ (0.01)
BASIC AND DILUTED INCOME (LOSS) PER COMMON SHARE - DISCONTINUED OPERATIONS	0.00	0.00
BASIC AND DILUTED INCOME (LOSS) PER COMMON SHARE - CONTINUING AND DISCONTINUED OPERATIONS	<u>\$ 0.01</u>	<u>\$ (0.01)</u>
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING		
Basic	68,762,753	64,581,995
Diluted	<u>69,190,424</u>	<u>64,581,995</u>

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 November 30, 2015	Three Months Ended November 30, 2014
NET INCOME (LOSS)	\$ 387,900	\$ (671,744)
OTHER COMPREHENSIVE INCOME (LOSS):		
Exchange differences on translating foreign operations	29,834	115,449
	\$ 417,734	\$ (556,295)
ATTRIBUTABLE TO:		
CIBT Education Group Inc. shareholders	\$ 336,494	\$ (640,287)
Non-controlling interests	81,240	83,992
	\$ 417,734	\$ (556,295)

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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	Ownership Changes	Treasury Shares					
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	-	-	-	-	-	-	66,031	-	66,031	49,418	115,449
Net income (loss) for the period	-	-	-	-	-	-	-	(706,318)	(706,318)	34,574	(671,744)
							66,031	(706,318)	(640,287)	83,992	(556,295)
Share-based payments	-	-	-	2,697	-	-	-	-	2,697	-	2,697
Payments to non-controlling interests	-	-	-	-	-	-	-	-	-	(60,000)	(60,000)
Non-controlling interests contributions	-	-	-	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	-	(181,405)	-	-	(181,405)	-	(181,405)
Treasury share cancellations	(1,900,000)	-	-	-	-	643,161	-	(643,161)	-	-	-
Balance, November 30, 2014	64,556,853	48,836,693	2,247,463	3,520,094	-	(89,040)	224,278	(37,164,360)	17,575,128	5,180,629	22,755,757
Unrealized translation adjustments	-	-	-	-	-	-	157,420	-	157,420	116,333	273,753
Net income (loss) for the period	-	-	-	-	-	-	-	1,746,338	1,746,338	4,926,180	6,672,518
							157,420	1,746,338	1,903,758	5,042,513	6,946,271
Share-based payments	-	-	-	13,212	-	-	-	-	13,212	-	13,212
Payments to non-controlling interests	-	-	-	-	-	-	-	-	-	(305,633)	(305,633)
Non-controlling interests contributions	-	-	-	-	-	-	-	-	-	5,937,712	5,937,712
Changes in ownership interests - SSDC	-	-	-	-	(286,134)	-	-	-	(286,134)	-	(286,134)
Changes in ownership interests - GECLP1	-	-	-	-	27,578	-	-	-	27,578	-	27,578
Changes in ownership interests - GECLP2	-	-	-	-	36,870	-	-	-	36,870	(36,870)	-
Changes in ownership interests - GECLP3	-	-	-	-	300,000	-	-	-	300,000	(300,000)	-
Purchase of treasury shares	-	-	-	-	-	(101,953)	-	-	(101,953)	-	(101,953)
Treasury share cancellations	(623,100)	-	-	-	-	171,795	-	(171,795)	-	-	-
Shares issued - private placement	4,897,000	1,224,250	-	-	-	-	-	-	1,224,250	-	1,224,250
Shares issuance costs - cash	-	(86,298)	-	-	-	-	-	-	(86,298)	-	(86,298)
Shares issuance costs - broker warrants	-	(44,199)	44,199	-	-	-	-	-	-	-	-
Balance, August 31, 2015	68,830,753	49,930,446	2,291,662	3,533,306	78,314	(19,198)	381,698	(35,589,817)	20,606,411	15,518,351	36,124,762
Unrealized translation adjustments	-	-	-	-	-	-	(175,896)	-	(175,896)	205,730	29,834
Net income (loss) for the period	-	-	-	-	-	-	-	512,390	512,390	(124,490)	387,900
							(175,896)	512,390	336,494	81,240	417,734
Share-based payments	-	-	-	250	-	-	-	-	250	-	250
Payments to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-
Non-controlling interests contributions	-	-	-	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-
Balance, November 30, 2015	68,830,753	\$ 49,930,446	\$ 2,291,662	\$ 3,533,556	\$ 78,314	\$ (19,198)	\$ 205,802	\$ (35,077,427)	\$ 20,943,155	\$ 15,599,591	\$ 36,542,746

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 November 30, 2015	Three Months Ended November 30, 2014
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Net income (loss)	\$ 387,900	\$ (671,744)
Adjusted for items not involving cash:		
- amortization of property, equipment and intangible assets (including agency fees)	760,593	632,355
- share-based payment expense	250	2,697
- (gain) loss on disposal of assets	8,863	-
- gain from changes in ownership investment interests	2,328	-
- finance fees	174,477	-
- deferred income tax recovery	-	-
- current income tax recovery	-	-
	1,334,411	(36,692)
Net changes in non-cash working capital items	(1,488,744)	1,368,994
NET CASH FROM (USED IN) OPERATING ACTIVITIES	(154,333)	1,332,302
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Purchases of property and equipment	(113,021)	(56,936)
Investment property	(235,839)	-
Restricted cash	(2,228)	(8,825)
Deposits on real estate properties	(800,000)	(500,000)
Acquisition of intangible assets	(664,957)	(559,607)
NET CASH FROM (USED IN) INVESTING ACTIVITIES	(1,816,045)	(1,125,368)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		
Proceeds from issuance of shares	-	-
Treasury share transactions	-	(181,405)
Advances from related parties	96,679	17,206
Non-controlling interest draws and buyout	-	(60,000)
Non-controlling interest capital contributions	-	-
Finance lease obligation	(39,536)	(38,498)
Long-term debt repayments	-	(150,000)
Long-term debt advances	314,092	-
Deferred costs	10,306	(76,062)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	381,541	(488,759)
NET INCREASE (DECREASE) IN CASH	(1,588,837)	(281,825)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH	(5,283)	(41,093)
CASH AND CASH EQUIVALENTS IN ASSETS HELD FOR SALE	705	-
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	2,286,631	2,706,229
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 693,216	\$ 2,383,311

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
NOVEMBER 30, 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. During Fiscal 2014, the Company 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.

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 2015 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 January 13, 2016.

Principles of Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries as at November 30, 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.

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.

NOTE 2 – BASIS OF PREPARATION (cont'd)

Principles of Consolidation (cont'd)

The consolidated financial statements include the financial statements of CIBT Education Group Inc. and its subsidiaries. The subsidiaries and percentage of ownership are as follows:

Entity	Percentage of Ownership as at	
	November 30, 2015	August 31, 2015
CIBT School of Business & Technology Corp.	100%	100%
Sprott-Shaw Degree College Corp.	100%	100%
IRIX Design Group Inc.	51%	51%
Global Education City Holdings Inc.	100%	100%
CIBT Group Holdings Inc.	100%	100%

With respect to the entities listed above, certain of these subsidiaries have non-controlling interests in their investments in subsidiaries. Refer to Significant Accounting Policies – Non-Controlling Interests.

Non-controlling interests

Non-controlling interests exist in less than wholly-owned subsidiaries and divisions of the Company and represent the outside interests' share in the carrying values and operations of the subsidiaries and divisions. The interests of the non-controlling shareholders are initially measured at either fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. Any subsequent income/loss, dividends and foreign translation adjustments attributable to the non-controlling interests is recognized as part of the non-controlling interests' income or equity. When changes in ownership interests are disproportionate to cumulative contributions, distributions and income (loss) allocations, non-controlling interest are adjusted through direct charges to equity.

As of November 30, 2015 and August 31, 2015 the non-controlling interests were as follows:

Subsidiary / division	Non-controlling interest %	
	November 30, 2015	August 31, 2015
Beihai College	40.00%	40.00%
Sprott-Shaw Degree College Corp. – Surrey Campus ⁽¹⁾	0.00% ⁽¹⁾	0.00% ⁽¹⁾
Irix Design Group Inc.	49.00%	49.00%
Investor 2 in GEC Project 2 ⁽²⁾	55.98% ⁽²⁾	55.98% ⁽²⁾
Investor 3 in GEC Project 3 ⁽³⁾	80.00% ⁽³⁾	80.00% ⁽³⁾

⁽¹⁾ The 33.33% non-controlling interest in SSDC's Surrey Campus was purchased by SSDC for \$561,767 during Fiscal 2015. The excess of the purchase price over the carrying value of the non-controlling interest of \$365,633 was recorded as a \$286,134 direct charge to equity.

⁽²⁾ The GP 2 has complete responsibility for the conduct of all of the business affairs of the GEC LP 2. The GP 2 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. Changes in the ownership of GEC LP 2 during Fiscal 2015 resulted in a direct charge to equity (an increase) during the year of \$36,870.

⁽³⁾ The GP 3 has complete responsibility for the conduct of all of the business affairs of the GEC LP 3. The GP 3 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. Disproportionate contributions to GEC LP 3 upon formation during Fiscal 2015 resulted in a direct charge to equity (an increase) during the year of \$300,000.

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.

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 1 PSA and subsequently 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) based upon Developer 1-B, in their capacity as property developer, achieving certain developmental milestones, with the final balance due at the closing following receipt of an occupancy permit. As at November 30, 2015, total refundable deposits of \$3,000,000 (August 31, 2015 – \$1,500,000) have been paid by CIBT Holdings to Developer 1-B. 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 which was subsequently extended by mutual agreement of all parties. The New GEC Property 1 was purchased by Developer 1-B on September 8, 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.

NOTE 3 – REAL ESTATE DEVELOPMENT (cont'd)

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

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.

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 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 to the Company. Under the terms of the amended GEC LP 1 agreement, the total planned funding of GEC LP 1 will be \$5,000,000 all of which will be paid by Investor 1. As a result of the amended funding schedule, management has determined the estimated fair value of the Fee Agreement to be equal to GEC Holdings 10% interest in GEC LP 1 funded by Investor 1, being \$500,000. This amount will be recognized on a basis proportionate to the unit holdings and based on the amounts paid to GEC LP 1 by Investor 1. As of August 31, 2015, a total of \$2,000,000 had been paid by Investor 1. The Company has been recording cumulative amounts under the Fee Agreement of \$222,222 of which \$232,320 was recorded during Fiscal 2014 and \$10,098 being recorded as a Fiscal 2015 reduction in the fees recognized.

NOTE 3 – REAL ESTATE DEVELOPMENT (cont'd)

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

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 only holds 11.11% 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 August 31, 2015 and for the year then ended, GEC LP 1 had limited operations. The carrying value of GEC Holdings' investment in the GEC LP 1 in the Company's consolidated financial statements consists of the cumulative investment in limited partnership units totaling \$238,112 (being 11.11% of the net investment in GEC LP 1 - refer to Note 5).

During the period ended November 30, 2015, Investor 1 advanced a total of \$500,000 to GEC LP 1. This amount is non-interest bearing, has no specific terms of repayment and is expected to be applied against future contributions in connection with further unit issuances by GEC LP 1. In addition, also during the period, an unrelated party advanced a total of \$480,000 to GEC LP 1. This amount bears interest at 12% per annum and has no specific terms of repayment.

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 November 30, 2015, , refundable deposits of \$8,300,000 (August 31, 2015 – \$7,500,000) 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.

On July 6, 2015, Developer 2 for GEC Project 2 received re-zoning approvals and development permits in connection with GEC Project 2. At August 31, 2015, Developer 2 and Bare Trustee 2 owned all the parcels of land required for the GEC Project 2 development.

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. As at November 30, 2015 and August 31, 2015, GEC Holdings held 44.02% of the voting units in GEC LP 2.

Pursuant to the GEC LP 2 funding requirements, GEC is required to provide capital contributions totaling \$4,455,000. As at August 31, 2015, GEC has paid \$2,250,000 into GEC LP 2. The balance of \$2,205,000 is due in various stages ending on or before May 16, 2016.

NOTE 3 – REAL ESTATE DEVELOPMENT (cont'd)

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

Management has determined that the Company and certain of its subsidiaries have control over GEC LP 2, notwithstanding that GEC Holdings currently holds only 44.02% of the voting units in GEC LP 2 as at August 31, 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. For the fiscal year ended August 31, 2015, \$95,488 (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. As of August 31, 2015, all amounts owing by the general partner 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 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, 2015, the GEC LP 2 Agreement does not allow for the removal of the general partner unless 66% of the units voted to effect this change. 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 November 30, 2015, August 31, 2015 and 2014 and for the periods then ended, GEC LP 2 did not have significant operations or cash flows from operations.

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 with capital commitment of \$3.6M, which has been fully contributed;
- GEC Holdings as a 20% limited partner with commitment of \$900,000, which has been fully contributed ;
- An unrelated third-party as the remaining 20% limited partner with capital commitment of \$1.5M, which has been fully contributed; 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.

NOTE 3 – REAL ESTATE DEVELOPMENT (cont'd)

The Third Project (the “GEC Project 3”) (cont'd)

Investor 3, beginning January 1, 2016 and continuing until December 31, 2021, will receive a preferred return during each year (not compounded) in an amount equal to 8.5% of its Capital Contribution, which is guaranteed by the general partner, a subsidiary of the Company.

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. Transactions costs totaling \$104,566 were capitalized to the investment property (See Note 4).

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 August 31, 2015, all amounts owing by Investor 3 under the Fee Agreement had been paid and has been 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 August 31, 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.

The Fourth Project (the “GEC Project 4”)

On November 18, 2015, an arm's length limited partnership purchased an operating hotel in downtown Vancouver including a franchised restaurant. This arm's length limited partnership also entered into a mortgage agreement to finance the purchase of the hotel. During the fiscal year ended August 31, 2015, the Company earned development fee revenues of \$1,800,000 associated with structuring the transaction related to the purchase of the hotel. The Company plans to become a limited partner in this limited partnership subject to the execution of a mutually acceptable limited partnership agreement. Refer to Note 13.

In conjunction with the purchase of the hotel, a subsidiary of the Company (“GEC Tenant”) entered into a head lease agreement with the limited partnership which requires the Company to pay minimum rents and other operational expenses and taxes for the residential units located in the hotel. The term of the head lease agreement is for 10 years with an option to renew for an additional 10 years. Rental expense is expected to be approximately \$2,700,000 to \$2,800,000 per annum for the initial term of the head lease agreement. During the current period ended November 30, 2015, GEC Tenant incurred \$104,250 of rental expenses owing to the limited partnership under the head lease agreement, and received \$43,855 of rental revenues from the operations of the hotel.

NOTE 4 – INVESTMENT PROPERTIES

On January 29, 2015, GEC LP 3 purchased assets (GEC Property 3) (refer to Note 3 - GEC Project 3) which met the definition of an investment property as defined by IAS 40, *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 as at August 31, 2015 to be \$38,100,000 based on a variety of factors including management's knowledge of the property, recent market transactions in the area, and an independent appraisal report of GEC Property 3. For the fiscal period ended August 31, 2015, a fair value gain of \$7,615,175 was recognized and recorded.

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

	November 30, 2015	August 31, 2015
Balance, beginning of period	\$ 38,100,000	\$ -
Acquisition of GEC Property 3	-	29,319,000
Reclassification to property and equipment	-	(111,423)
Transaction costs	-	104,566
Additions during the period	235,839	241,146
Interest on long-term debt capitalized during the period	406,166	931,536
Gain on fair value changes	-	7,615,175
Balance, end of period	\$ 38,742,005	\$ 38,100,000

In June 2015, GEC LP 3 commenced 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 period ended November 30, 2015, there was \$341,787 of rental revenues which were offset by \$202,538 of direct operating expenses associated with the investment property. There have been no ancillary services provided to date.

NOTE 5 – 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 shows the continuity of the Company's carrying value of GEC LP 1 for the period from August 31, 2015 to November 30, 2015.

	GEC LP 1
Carrying value – August 31, 2015	\$ 240,440
Share of net income (loss) in investee	(2,328)
Carrying value – November 30, 2015	\$ 238,112

For the period ended November 30, 2015, GEC LP 1 had an operating loss of \$20,956. Accordingly, for the period ended November 30, 2015 the Company's share of the operations of GEC LP 1 was \$2,328.

NOTE 6 – ASSETS HELD FOR SALE

On December 2, 2015, a subsidiary of the Company entered into a formal Purchase and Sale agreement with a global education services provider to sell one part of one of its education subsidiaries. The transaction is subject to certain regulatory approvals which may take up to nine months after the date of the agreements, at which time the transaction will close.

At November 30, 2015, the sale of a portion of one of its education subsidiaries was considered highly probable, and therefore, met the asset held for sale criteria. As a result, its assets and liabilities have been presented as assets held for sale and liabilities held for sale, and measured at the lower of its carrying amount and fair value less costs to sell, being carrying amount. At November 30, 2015, the anticipated sale does not represent a discontinued operation and therefore the results of operations have been presented as part of net earnings (loss) from continuing operations.

The components of assets and liabilities held for sale relating to one part of its education subsidiaries are as follows. These balances are presented in the SSDC operating segment.

	<u>November 30, 2015</u>
Assets	
Current	
Cash and cash equivalents	\$ -
Accounts receivable	-
Prepaid expenses and other	105,193
Inventory	<u>27,834</u>
Total current assets	133,027
Property and equipment	214,128
Intangible assets	498,450
Goodwill	<u>390,000</u>
Total assets	<u>\$ 1,235,605</u>
Liabilities	
Current	
Bank overdraft	\$ 705
Accounts payable and accrued liabilities	220,020
Deferred educational revenue	850,500
Current portion of finance lease obligations	<u>12,025</u>
Total current liabilities	1,083,250
Finance lease obligations	<u>48,229</u>
Total liabilities	<u>\$ 1,131,479</u>
Net assets held for sale	<u>\$ 104,126</u>

NOTE 7 – LONG-TERM DEBT

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

	<u>November 30, 2015</u>	<u>August 31, 2015</u>
Refer to GEC Project 3 debt below	\$ 24,163,649	\$ 23,675,080
	24,163,649	23,675,080
Less: current portion	<u>(24,163,649)</u>	<u>(23,675,080)</u>
	<u>\$ -</u>	<u>\$ -</u>

NOTE 7 – 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 3, 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 current period, a total of \$174,477 (Fiscal 2015 – \$418,818) of these costs was expensed. In addition, during the current period, a total of \$434,867 (Fiscal 2015 – \$997,361) of interest was accrued in connection with the Mortgage of which \$1,318,507 was included in accounts payable and accrued liabilities as of November 30, 2015. Of the total interest incurred of \$1,432,228 to date, \$1,337,702 was capitalized to the GEC Project 3 Investment Property (refer to Note 4). During the current period, \$314,092 was advanced as a progress draw in connection with the renovation of GEC Project 3. The following table shows the components of the GEC Project 3 debt.

	November 30, 2015	August 31, 2015
Balance, beginning of period	\$ 23,675,080	\$ -
Mortgage advance	314,092	24,021,050
Finance fees	-	(764,788)
Accretion of finance fees	174,477	418,818
Balance, end of period	\$ 24,163,649	\$ 23,675,080

NOTE 8 – SHARE CAPITAL

Share purchase warrants

The Company has 339,990 share purchase warrants outstanding exercisable at a price of \$0.25 per share exercisable to July 20, 2017, and 2,448,500 share purchase warrants outstanding exercisable at a price of \$0.30 per share exercisable to July 20, 2017.

Details of share purchase warrants outstanding and exercisable as at November 30, 2015 are as follows:

Number of Warrants	Exercise Price	Expiry Date	Remaining Contractual Life
339,990	\$0.25	July 20, 2017	1.64 years
2,448,500	\$0.30	July 20, 2017	1.64 years
<u>2,788,490</u>			

Stock options

The Company has stock options outstanding to certain employees, officers and directors providing the right to purchase up to 3,533,500 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.

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 November 30, 2015 are as follows:

Number of Options	Exercise Price	Expiry Date	Remaining Contractual Life
1,265,000	\$0.42	March 1, 2016	0.25 years
150,000	\$0.25	June 30, 2016	0.58 years
2,088,500	\$0.24	January 6, 2017	1.10 years
<u>30,000</u>	<u>\$0.37</u>	<u>July 10, 2019</u>	<u>3.61 years</u>
<u>3,533,500</u>			

As at November 30, 2015, a total of 3,518,500 stock options were exercisable with a weighted average exercise price of \$0.31 per share

NOTE 9 – 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.

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

	Number	Value
Balance, August 31, 2015	68,000	\$ 19,198
Purchases of treasury shares	-	-
Cancellation of treasury shares	-	-
Balance, November 30, 2015	68,000	\$ 19,198

NOTE 10 – GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses are comprised of the following:

	Three Months Ended November 30, 2015	Three Months Ended November 30, 2014
Advertising	\$ 998,449	\$ 921,762
Bank charges and interest	44,158	52,653
Consulting and management fees	181,475	158,852
Investor relations	31,999	21,748
Office and general	474,578	517,985
Professional fees	272,595	116,425
Rent	890,302	732,473
Salaries and benefits	1,965,282	1,986,441
Travel and promotion	73,368	76,277
	\$ 4,932,206	\$ 4,584,616

NOTE 11 – NET CHANGES IN NON-CASH WORKING CAPITAL ITEMS

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

	Three Months Ended November 30, 2015	Three Months Ended November 30, 2014
Short-term investments	\$ -	\$ 994,535
Accounts receivable	(3,458,086)	(1,377,466)
Prepaid expenses	14,344	(61,469)
Inventory	(757)	17,963
Accounts payable and accrued liabilities	492,428	(21,560)
Income taxes payable	(21)	(96)
Deferred educational revenues	1,463,348	1,817,087
	\$ (1,488,744)	\$ 1,368,994

The working capital items have been adjusted for the effects of non-cash changes and unrealized foreign exchange changes.

NOTE 12 – RELATED PARTY TRANSACTIONS

Significant transactions between the Company and the following related parties:

	November 30, 2015	August 31, 2015
Accounts receivable - Weifang University (1)	\$ 3,751,371	\$ 3,257,106
Accounts payable - Weifang University (1)	\$ 417,940	\$ 81,659
Due to officers, employees, directors and non-arm's length investors (2)	\$ 1,943,838	\$ 1,847,159
Due from officers, employees, directors and non-arm's length investors (3)	\$ 735,000	\$ 735,000

- 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 November 30, 2015, the amount due to officers, employees, directors and non-arm's length investors is comprised of \$117,711 (August 31, 2015 – \$34,151) due to officers and directors of the Company, \$186,909 (August 31, 2015 – \$183,389) due to the President of IRIX, \$840,000 (August 31, 2015 – \$840,000) due to Investor 2 of GEC Project 2 development, and \$799,218 (August 31, 2015 – \$789,619) due to Investor 3 and the third-party investor of GEC Project 3 development. The \$117,711 due to officers and directors of the Company is non-interest bearing and has no fixed terms of repayment. The \$186,909 due to the President of IRIX is non-interest bearing and has no fixed terms of repayment. The \$840,000 due to Investor 2 is non-interest bearing and has no fixed terms of repayment. The \$799,218 due to Investor 3 and the third-party investor bears interest at 5% per annum 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.
- 3) As at November 30, 2015, \$735,000 (August 31, 2015 – \$735,000) 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 three month period ended November 30, 2015, the Company and its subsidiaries incurred a total of \$165,260 (three month period ended November 30, 2014 – \$176,088) for management fees and salaries paid to certain directors and officers employed by the Company and its subsidiaries.

NOTE 13 – SUBSEQUENT EVENTS

In December 2015, the Company and its affiliates executed a Purchase and Sale Agreement ("PSA") with a Vancouver developer through a recently formed limited partnership ("LP"). The PSA provides for the LP to acquire a four-storey condominium project that is under construction in North Burnaby. The acquisition price is approximately \$21,000,000 inclusive of leasehold improvements, fixtures and apartment furnishings. For the period ended November 30, 2015, the Company recorded development fee revenues of \$1,500,000 for structuring and managing the property development.

On January 5, 2016, the Company resumed its normal course issuer bid that commenced on February 27, 2015. The normal course issuer was voluntarily suspended by the Company from May 2015 through to December 2015.

On January 13, 2016, the Company entered into a mutually acceptable limited partnership agreement to become a limited partner in GEC Project 4.

CIBT EDUCATION GROUP INC.**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****NOVEMBER 30, 2015****(Unaudited)****Page 14****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**Three Months Ended November 30, 2015**

	CIBT (China)	SSDC (Canada)	IRIX (Canada)	GEC (Canada)	Corporate (Canada)	Consolidated
Revenues						
Educational	\$ 744,882	\$ 6,314,245	\$ -	\$ -	\$ -	\$ 7,059,127
Design and advertising	-	-	224,823	-	-	224,823
Commissions and referral fees	295,607	-	-	-	-	295,607
Development fees	-	-	-	14,505	1,428,571	1,443,076
Rental	-	-	-	341,787	-	341,787
	<u>\$ 1,040,489</u>	<u>\$ 6,314,245</u>	<u>\$ 224,823</u>	<u>\$ 356,292</u>	<u>\$ 1,428,571</u>	<u>\$ 9,364,420</u>
Revenues, net of direct costs	\$ 400,537	\$ 3,632,184	\$ 167,987	\$ 153,754	\$ 1,428,571	\$ 5,783,033
Other expenses and items:						
General and administrative	(339,918)	(3,493,536)	(192,796)	(165,283)	(740,673)	(4,932,206)
Amortization	(55,722)	(171,532)	(5,849)	(10,227)	(1,469)	(244,799)
Share-based payment expense	-	-	-	-	(250)	(250)
Business development costs	-	-	-	-	-	-
Interest and other income	314	-	496	-	-	810
Foreign exchange gain (loss)	10,179	-	5,472	-	(165)	15,486
Finance costs	-	(10,206)	-	(38,300)	-	(48,506)
Finance fees	-	-	-	(174,477)	-	(174,477)
Income (loss) from investment in associates	-	-	-	(2,328)	-	(2,328)
Gain (loss) on fair value changes in investment properties	-	-	-	-	-	-
Gain (loss) on disposal of assets	(8,863)	-	-	-	-	(8,863)
Income tax recovery (provision), net	-	-	-	-	-	-
Inter-segment transactions	-	(83,201)	10,333	-	72,868	-
Income (loss) from continuing operations	6,527	(126,291)	(14,357)	(236,861)	758,882	387,900
Discontinued operations	-	-	-	-	-	-
Inter-segment transactions - discontinued operations	-	-	-	-	-	-
Net income (loss)	<u>\$ 6,527</u>	<u>\$ (126,291)</u>	<u>\$ (14,357)</u>	<u>\$ (236,861)</u>	<u>\$ 758,882</u>	<u>\$ 387,900</u>

NOTE 14 – SEGMENTED INFORMATION (cont'd)

Industry and Geographic Segments	November 30, 2015					
	CIBT (China)	SSDC (Canada)	IRIX (Canada)	GEC (Canada)	Corporate (Canada)	Consolidated
	(Refer to Note 6)					
Total assets	\$ 5,340,433	\$ 21,128,281	\$ 244,826	\$ 51,948,625	\$ 6,311,378	\$ 84,973,543
Property and equipment	\$ 244,593	\$ 1,680,834	\$ 67,787	\$ 198,051	\$ 27,909	\$ 2,219,174
Investment properties	\$ -	\$ -	\$ -	\$ 38,742,005	\$ -	\$ 38,742,005
Intangible assets	\$ 766,300	\$ 7,282,091	\$ -	\$ -	\$ -	\$ 8,048,391
Goodwill	\$ -	\$ 4,403,303	\$ -	\$ -	\$ -	\$ 4,403,303
Total liabilities	\$ 740,927	\$ 15,007,619	\$ 392,156	\$ 31,186,871	\$ 1,103,224	\$ 48,430,797
Non-controlling interests	\$ 1,385,065	\$ -	\$ (210,604)	\$ 14,425,130	\$ -	\$ 15,599,591
Capital expenditures	\$ -	\$ 89,533	\$ 1,635	\$ 21,853	\$ -	\$ 113,021

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NOTE 14 – SEGMENTED INFORMATION (cont'd)

Industry and Geographic Segments	Three Months Ended November 30, 2014					
	CIBT (China)	SSDC (Canada)	IRIX (Canada)	GEC (Canada)	Corporate (Canada)	Consolidated
Revenues						
Educational	\$ 607,057	\$ 6,111,570	\$ -	\$ -	\$ -	\$ 6,718,627
Design and advertising	-	-	300,461	-	-	300,461
Commissions and referral fees	104,888	-	-	-	-	104,888
Development fees	-	-	-	-	-	-
Rental	-	-	-	-	-	-
	<u>\$ 711,945</u>	<u>\$ 6,111,570</u>	<u>\$ 300,461</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,123,976</u>
Revenues, net of direct costs	281,422	3,644,717	205,609	-	-	4,131,748
Other expenses and items:						
General and administrative	(326,272)	(3,432,950)	(203,066)	-	(622,328)	(4,584,616)
Amortization	(44,496)	(176,232)	(6,042)	-	(2,267)	(229,037)
Share-based payment expense	-	-	-	-	(2,697)	(2,697)
Business development costs	-	-	-	-	(67,500)	(67,500)
Interest and other income	2,927	-	2,348	-	8,776	14,051
Foreign exchange gain (loss)	77,399	-	2,641	-	4,441	84,481
Finance costs	-	(14,884)	-	-	-	(14,884)
Finance fees	-	-	-	-	-	-
Income (loss) from investment in associates	-	-	-	-	-	-
Gain (loss) on fair value changes in investment properties	-	-	-	-	-	-
Gain (loss) on disposal of assets	-	-	-	-	-	-
Income tax recovery (provision), net	(3,290)	-	-	-	-	(3,290)
Inter-segment transactions	19,967	(517,314)	4,885	-	492,462	-
Income (loss) from continuing operations	7,657	(496,663)	6,375	-	(189,113)	(671,744)
Discontinued operations	-	-	-	-	-	-
Inter-segment transactions - discontinued operations	-	-	-	-	-	-
Net income (loss)	<u>\$ 7,657</u>	<u>\$ (496,663)</u>	<u>\$ 6,375</u>	<u>\$ -</u>	<u>\$ (189,113)</u>	<u>\$ (671,744)</u>

NOTE 14 – SEGMENTED INFORMATION (cont'd)

Industry and Geographic Segments	November 30, 2014					
	CIBT (China)	SSDC (Canada)	IRIX (Canada)	GEC (Canada)	Corporate (Canada)	Consolidated
Total assets	\$ 5,763,887	\$ 21,582,369	\$ 371,055	\$ 9,667,147	\$ 5,159,549	\$ 42,544,007
Property and equipment	\$ 377,219	\$ 1,867,547	\$ 88,131	\$ -	\$ 34,887	\$ 2,367,784
Investment properties	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intangible assets	\$ 774,128	\$ 7,866,390	\$ -	\$ -	\$ -	\$ 8,640,518
Goodwill	\$ -	\$ 4,793,303	\$ -	\$ -	\$ -	\$ 4,793,303
Total liabilities	\$ 579,007	\$ 15,212,378	\$ 504,653	\$ 175,000	\$ 3,317,212	\$ 19,788,250
Non-controlling interests	\$ 1,061,107	\$ 329,486	\$ (205,452)	\$ 3,995,488	\$ -	\$ 5,180,629
Capital expenditures	\$ 30,724	\$ 25,615	\$ 597	\$ -	\$ -	\$ 56,936

--- END OF FINANCIAL STATEMENTS ---