



CIBT EDUCATION GROUP INC.
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
NOVEMBER 30, 2016
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, 2016	August 31, 2016
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 7,074,212	\$ 4,341,970
Restricted cash	147,639	148,001
Accounts receivable	9,047,077	6,795,474
Prepaid expenses	727,589	695,716
Inventory	453,283	363,293
TOTAL CURRENT ASSETS	17,449,800	12,344,454
DUE FROM RELATED PARTIES	2,075,870	2,329,947
DEPOSIT RESERVE	1,762,674	897,613
PROPERTY AND EQUIPMENT	2,953,375	2,103,147
INVESTMENT PROPERTIES	88,423,176	49,900,000
DEFERRED COSTS	1,545,024	1,522,116
REFUNDABLE DEPOSITS	12,900,000	15,800,000
INVESTMENT IN ASSOCIATES	1,344,422	1,453,445
INTANGIBLE ASSETS	8,436,116	8,182,067
GOODWILL	5,721,907	5,721,907
DEFERRED INCOME TAX ASSETS	2,091,845	2,091,845
TOTAL ASSETS	\$ 144,704,209	\$ 102,346,541
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 5,016,309	\$ 3,000,520
Income taxes payable	114,582	114,836
Deferred educational revenue	14,133,571	11,548,744
Current portion of finance lease obligations	129,433	164,795
Current portion of borrowings	13,638	493,638
Due to related parties and investment partners	3,083,693	1,016,825
TOTAL CURRENT LIABILITIES	22,491,226	16,339,358
FINANCE LEASE OBLIGATIONS	406,393	324,009
BORROWINGS	52,582,585	28,344,426
DEFERRED INCOME TAX LIABILITIES	2,399,401	2,399,401
TOTAL LIABILITIES	77,879,605	47,407,194
EQUITY		
SHARE CAPITAL	49,092,366	49,024,991
RESERVES	5,314,405	5,669,832
DEFICIT	(25,658,283)	(30,868,897)
ACCUMULATED OTHER COMPREHENSIVE INCOME	287,318	237,890
EQUITY ATTRIBUTABLE TO CIBT EDUCATION GROUP INC. SHAREHOLDERS	29,035,806	24,063,816
NON-CONTROLLING INTERESTS	37,788,798	30,875,531
TOTAL EQUITY	66,824,604	54,939,347
TOTAL LIABILITIES AND EQUITY	\$ 144,704,209	\$ 102,346,541

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 November 30, 2016	Three Months Ended November 30, 2015
REVENUES		
Educational	\$ 7,358,969	\$ 7,059,127
Design and advertising	215,882	224,823
Commissions and referral fees	276,124	295,607
Development fees	4,464,286	1,443,076
Rental	1,664,615	341,787
	13,979,876	9,364,420
DIRECT COSTS		
Educational	3,184,446	3,082,428
Design and advertising	29,894	56,836
Commissions and referral fees	156,097	239,585
Rental	1,233,338	202,538
	4,603,775	3,581,387
OTHER EXPENSES		
General and administrative	5,046,008	4,932,206
Amortization of property, equipment and intangible assets (excluding agency fees)	215,542	244,799
Share-based payment expense	6,252	250
	5,267,802	5,177,255
OPERATING INCOME (LOSS)	4,108,299	605,778
INTEREST AND OTHER INCOME	260,284	810
FOREIGN EXCHANGE GAIN (LOSS)	(41,592)	15,486
FINANCE COSTS	(321,835)	(48,506)
FINANCE FEES	(146,399)	(174,477)
INCOME (LOSS) FROM INVESTMENT IN ASSOCIATES	(301,901)	(2,328)
GAIN (LOSS) ON FAIR VALUE CHANGES IN INVESTMENT PROPERTIES	2,098,729	-
GAIN (LOSS) ON DISPOSAL OF ASSETS	5,398	(8,863)
INCOME (LOSS) BEFORE INCOME TAXES	5,660,983	387,900
INCOME TAXES		
Current income tax expense (recovery)	-	-
Deferred income tax expense (recovery)	-	-
	-	-
INCOME (LOSS) FROM CONTINUING OPERATIONS	5,660,983	387,900
INCOME (LOSS) FROM DISCONTINUED OPERATIONS	-	-
NET INCOME (LOSS)	\$ 5,660,983	\$ 387,900
ATTRIBUTABLE TO:		
CIBT Education Group Inc. shareholders	\$ 5,210,614	\$ 512,390
Non-controlling interests	450,369	(124,490)
NET INCOME (LOSS)	\$ 5,660,983	\$ 387,900
BASIC AND DILUTED INCOME (LOSS) PER COMMON SHARE - CONTINUING OPERATIONS	\$ 0.08	\$ 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	\$ 0.08	\$ 0.01
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING		
Basic	67,911,831	68,762,753
Diluted	70,252,459	69,190,424

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, 2016	Three Months Ended November 30, 2015
NET INCOME (LOSS)	\$ 5,660,983	\$ 387,900
OTHER COMPREHENSIVE INCOME (LOSS):		
Exchange differences on translating foreign operations	49,326	29,834
	\$ 5,710,309	\$ 417,734
ATTRIBUTABLE TO:		
CIBT Education Group Inc. shareholders	\$ 5,260,042	\$ 336,494
Non-controlling interests	450,267	81,240
	\$ 5,710,309	\$ 417,734

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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, 2015	68,830,753	\$ 49,115,490	\$ 2,291,662	\$ 3,533,306	\$ 78,314	\$ (19,198)	\$ 381,698	\$ (34,774,861)	\$ 20,606,411	\$ 15,518,351	\$ 36,124,762
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
Balance, November 30, 2015	68,830,753	49,115,490	2,291,662	3,536,003	78,314	(19,198)	447,729	(35,481,179)	19,968,821	15,602,343	35,571,164
Unrealized translation adjustments	-	-	-	-	-	-	(209,839)	-	(209,839)	(56,397)	(266,236)
Net income (loss) for the period	-	-	-	-	-	-	-	4,612,282	4,612,282	5,274,876	9,887,158
							(209,839)	4,612,282	4,402,443	5,218,479	9,620,922
Share-based payments	-	-	-	24,061	-	-	-	-	24,061	-	24,061
Non-controlling interests contributions	-	-	-	-	-	-	-	-	-	11,114,400	11,114,400
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 - CIBT	-	-	-	-	-	-	-	-	-	(1,096,561)	(1,096,561)
Purchase of treasury shares	-	-	-	-	-	(351,474)	-	-	(351,474)	-	(351,474)
Treasury share cancellations	(672,300)	(196,817)	-	-	-	196,817	-	-	-	-	-
Shares issued - stock option exercises	75,000	22,500	-	(3,750)	-	-	-	-	18,750	-	18,750
Shares issued - share warrant exercises	242,150	83,818	(18,155)	-	-	-	-	-	65,663	-	65,663
Balance, August 31, 2016	68,475,603	49,024,991	2,273,507	3,556,314	13,866	(173,855)	237,890	(30,868,897)	24,063,816	30,875,531	54,939,347
Unrealized translation adjustments	-	-	-	-	-	-	49,428	-	49,428	(102)	49,326
Net income (loss) for the period	-	-	-	-	-	-	-	5,210,614	5,210,614	450,369	5,660,983
							49,428	5,210,614	5,260,042	450,267	5,710,309
Share-based payments	-	-	-	6,252	-	-	-	-	6,252	-	6,252
Non-controlling interests contributions	-	-	-	-	-	-	-	-	-	6,463,000	6,463,000
Purchase of treasury shares	-	-	-	-	-	(355,564)	-	-	(355,564)	-	(355,564)
Shares issued - share warrant exercises	212,040	67,375	(6,115)	-	-	-	-	-	61,260	-	61,260
Balance, November 30, 2016	68,687,643	\$ 49,092,366	\$ 2,267,392	\$ 3,562,566	\$ 13,866	\$ (529,419)	\$ 287,318	\$ (25,658,283)	\$ 29,035,806	\$ 37,788,798	\$ 66,824,604

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, 2016	Three Months Ended November 30, 2015
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Net income (loss)	\$ 5,660,983	\$ 387,900
Adjusted for items not involving cash:		
- amortization of property, equipment and intangible assets (including agency fees)	215,542	760,593
- share-based payment expense	6,252	250
- (gain) loss on disposal of assets	(5,398)	8,863
- gain from changes in ownership investment interests	297,835	2,328
- gain on fair value changes in investment properties	(2,098,729)	-
- finance fees	146,399	174,477
	4,222,884	1,334,411
Net changes in non-cash working capital items	2,706,957	(1,488,744)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	6,929,841	(154,333)
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Purchases of property and equipment	(956,525)	(113,021)
Investment property	(32,132,568)	(235,839)
Restricted cash	362	(2,228)
Equity investments	(192,878)	-
Deposits on real estate properties	(100,000)	(800,000)
Acquisition of intangible assets	(291,618)	(664,957)
Refundable deposit on sale of assets	(138,408)	-
NET CASH FROM (USED IN) INVESTING ACTIVITIES	(33,811,635)	(1,816,045)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		
Proceeds from issuance of shares	61,260	-
Treasury share transactions	(355,564)	-
Advances from related parties	(74,260)	96,679
Non-controlling interest capital contributions	6,463,000	-
Finance lease obligation	(20,008)	(39,536)
Borrowing repayments	(483,410)	-
Borrowing advances	24,800,000	314,092
Capitalized borrowing costs	(349,060)	-
Deferred costs	(478,000)	10,306
NET CASH FROM (USED IN) FINANCING ACTIVITIES	29,563,958	381,541
NET INCREASE (DECREASE) IN CASH	2,682,164	(1,588,837)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH	50,078	(5,283)
CASH AND CASH EQUIVALENTS IN ASSETS HELD FOR SALE	-	705
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	4,341,970	2,286,631
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 7,074,212	\$ 693,216

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, 2016
(Unaudited)

NOTE 1 – DESCRIPTION OF BUSINESS AND NATURE OF OPERATIONS

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 five principal business units/segments, being CIBT School of Business & Technology (“CIBT”), Sprott-Shaw Degree College (“SSDC”), IRIX Design Group (“IRIX”), Global Education City Holdings (“GEC”), and Vancouver International College (“VIC”). VIC is a recently acquired English language school. The Company’s education business is conducted through CIBT and its subsidiaries in Asia, and through SSDC and VIC 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 PRESENTATION

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 - *Interim Financial Reporting* (“IAS 34”) as issued by the International Accounting Standards Board (“IASB”). Accordingly, certain disclosures included in annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”) as issued by the IASB have been condensed or omitted. These unaudited condensed consolidated interim financial statements should be read in conjunction with the Company’s audited consolidated financial statements for the year ended August 31, 2016.

The accounting policies applied in the preparation of these unaudited condensed interim consolidated financial statements are consistent with those applied and disclosed in the Company’s audited consolidated financial statements for the year ended August 31, 2016.

The Company’s interim results are not necessarily indicative of its results for a full year. All amounts are expressed in Canadian dollars, unless otherwise noted.

The financial statements were approved by the Company’s Board of Directors and authorized for issue on January 15, 2017.

Significant accounting judgements and key sources of estimate uncertainty

The Company’s management makes judgements in its process of applying the Company’s accounting policies in the preparation of its condensed consolidated interim financial statements. In addition, the preparation of the financial data requires that the Company’s management makes assumptions and estimates of the impacts of uncertain future events on carrying amounts of the Company’s assets and liabilities at the end of the reporting period and the reported amounts of revenues and expenses during each reporting period. Actual results could differ from those estimates as the estimate process is inherently uncertain. The estimates and underlying assumptions are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates and the resulting impacts on the carrying amounts of the Company’s assets and liabilities are accounted for prospectively.

In preparing the Company’s unaudited condensed consolidated interim financial statements for the three months ended November 30, 2016, the Company applied the critical judgements and estimates, including significant areas of estimation uncertainty in applying these policies, disclosed in Note 2 of its audited consolidated financial statements for the year ended August 31, 2016.

NOTE 3 – REAL ESTATE DEVELOPMENT

The Company and certain of its subsidiaries entered into several agreements and organizational transactions in connection with the development of the Company's student housing arm. In particular, the Company is developing a network of 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. The following wholly-owned subsidiaries are involved with these transactions: Global Education City Holdings Inc. ("GEC Holdings"), CIBT Group Holdings Inc. ("CIBT Holdings"), Global Education City Management Corp. ("GEC Mgmt."), and Global Education City (Granville) Management Corp. ("GEC Granville Mgmt.").

The Projects are held in limited partnerships with those agreements governing the limited partnership, including the number of units to be issued and the funding contributions. In all cases a general partner exists for these limited partnerships and in the majority of Projects the general partner is a wholly-owned subsidiary of the Company. Control exists when a 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. Where control has been assessed the general partner or its affiliates has been assessed to have complete responsibility for the conduct of all the business activities of the limited partnership. The Company has significant influence when it has the power to participate in the financial and operating policy decisions of the associate but does not have control or joint control over those policies.

The First Project (the "GEC Project 1")

In February 2015, CIBT Holdings entered into an agreement with a developer whereby CIBT Holdings agreed to purchase certain real property and future planned development thereon ("GEC Property 1"). CIBT Holdings was expected to pay the developer a total purchase price of \$15,300,000 in a series of deposits which were refundable prior to closing should the developer not achieve certain developmental milestones with the final balance due at the closing following receipt of an occupancy permit. Concurrent with the first agreement, CIBT Holdings entered into an agreement to sell its interest in GEC Property 1 on completion of the project to a limited partnership ("GEC LP 1"). An amended limited partnership agreement was executed which modified: the name of LP; references to the new project; and modifications to the planned timing and amount of limited partnership unit contributions and issuances. Management had determined that the Company and certain of its subsidiaries had significant influence over GEC LP 1 (for both the original and amended agreements), notwithstanding that GEC Holdings held 11.11% of the voting units in GEC LP 1.

In February 2016, the parties to the original limited partnership assigned the assets of the original limited partnership to a newly formed general partner ("GEC GP1 A") and agreed to distribute all amounts to the then partners in conjunction with the agreement. At the date of assignment, GEC LP 1 held \$3,000,000 (August 31, 2015 - \$1,500,000) in refundable deposits which had been made to the developer. The excess of the consideration paid to GEC LP 1 limited partners over the net assets of GEC LP 1 at the date of assignment of \$1,349,511 is a deferred asset which represents an additional amount paid for the property. Once the project is completed this deferred asset will form part of the cost of the Property. As a result of the assignment of assets, GEC LP 1 had limited operations and was wound up in the year ended August 31, 2016 resulting in a final distribution to the Company of \$733,815 (refer to Note 5(d)). Amounts due of \$500,000 to previous investors were repaid.

In addition, during February 2016, CIBT Holdings entered into a revised agreement with the developer related to the purchase of the GEC Property 1 to add an additional lot of land for a total purchase price of \$28,050,000 for the Project. CIBT Holdings is required to pay an additional \$1,800,000 of deposits in addition to the \$3,000,000 already paid and assigned to GEC LP1 A. At November 30, 2016, refundable deposits of \$4,300,000 (August 31, 2016 - \$4,300,000) were paid resulting in future commitments of \$23,750,000. Concurrent with this agreement, CIBT Holdings entered into an agreement to sell its revised interest in GEC Property 1 on completion of the project to GEC LP 1A.

In March 2016, a limited partnership was formed known as ("GEC LP1 A"). Upon completion of the funding of the GEC LP1A, the limited partnership units will be owned 20.6% by GEC Holdings and the remainder by the other limited partners. During the year ended August 31, 2016, GEC Holdings contributed a total of \$2,500,000 for its partnership units. Management has determined that the Company and certain of its subsidiaries have control over GEC LP1 A, notwithstanding that GEC Holdings holds only 23.0% of the voting units in GEC LP1 A as at November 30, 2016. Accordingly, the Company has consolidated the results of GEC LP1 A. Rights held by the 56% limited partner were determined to be protective and not substantive, and did not preclude the Company having control. As of November 30, 2016, and for the periods since formation, GEC LP 1A had limited operations.

NOTE 3 – REAL ESTATE DEVELOPMENT (cont'd)

The Second Project (the “GEC Project 2”)

In May 2014, CIBT Holdings entered into an agreement with a developer whereby CIBT Holdings agreed to purchase certain real property and future planned development thereon (“GEC Property 2”). CIBT Holdings will pay a total of \$42,500,000 in a series of deposits which are refundable prior to closing should the developer not achieve certain developmental milestones. The final balance is due at the closing following receipt of an occupancy permit. As at November 30, 2016, refundable deposits of \$8,500,000 (August 31, 2016 – \$8,500,000) were paid resulting in future commitments of \$34,000,000. Concurrent with the first agreement, CIBT Holdings entered into an agreement to sell its interest in GEC Property 2 on completion of the project to a limited partnership (“GEC LP 2”).

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 November 30 and August 31, 2016, the GEC LP 2 Agreement does not allow for the removal of the general partner unless 66% of the units are 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.

GEC Holdings has committed to contribute total of \$4,455,000 for its partnership units. At November 30, 2016, GEC Holdings had made capital contributions of \$2,550,000 (August 31, 2016 – \$2,250,000) into GEC LP 2 and holds 42.81% (August 31, 2016 – 42.81%) of the voting units in GEC LP 2. The balance of \$1,905,000 of capital contribution is due in various stages before the completion of the Project. 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 the other limited partners. As of November 30, 2016, and for the periods since formation, GEC LP 2 had limited operations.

The Third Project (the “GEC Project 3”)

In January 2015, CIBT Holdings entered into an agreement whereby CIBT Holdings agreed to purchase certain real property and land (“GEC Property 3”) from a vendor which was then sold to a limited partnership (“GEC LP 3”). This property is classified as an investment property (Note 4).

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 November 30 and August 31, 2016. Rights held by the 60% limited partner were determined to be protective and not substantive, and did not preclude the Company having control.

Beginning January 1, 2016 and continuing until December 31, 2021, one limited partner will receive a preferred return during each year (not compounded) in an amount equal to 8.5% of its capital contribution when cash distributions are made, which is guaranteed by the general partner of GEC LP 3. At November 30, 2016, there were no cash distributions made to date.

In conjunction with the purchase of the Property, the Company entered into a head lease agreement with the limited partnership which requires the Company to pay minimum and additional rents for the residential units located in the building. During the three months ended November 30, 2016, the Company expensed \$423,704 (2015 – \$nil) under the head lease agreement, and earned \$368,231 (2015 – \$341,787) of rental revenue from the operations of the property for the same period.

The Fourth Project (“GEC Project 4”)

In November 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. The Company became a limited partner in this limited partnership (“GEC LP 4”) during the quarter ended February 29, 2016.

Management has determined that the Company and certain of its subsidiaries have significant influence over GEC LP 4, given GEC Holdings holds 20% of the voting units in GEC LP 4. Management believes that they have the power to participate in the financial and operating policy decisions. The carrying value of GEC Holdings’ investment in GEC LP 4 in the Company’s consolidated financial statements consists of the cumulative investment in limited partnership units (Note 5(d)).

NOTE 3 – REAL ESTATE DEVELOPMENT (cont'd)

The Fourth Project (“GEC Project 4”) (cont'd)

In conjunction with the purchase of the hotel, GEC Granville Mgmt. entered into a head lease agreement with the limited partnership which requires the Company to pay minimum and additional rents for the residential units located in the hotel. During the three months ended November 30, 2016, the Company expensed \$1,239,107 (2015 – \$Nil) under the head lease agreement, and earned \$1,194,412 (2015 – \$Nil) of rental revenue from the operations of the property for the same period.

The Fifth Project (“GEC Project 5”)

On October 28, 2016, on completion of development of a four-story condominium project in North Burnaby a limited partnership (“GEC LP 5”) purchased the land and buildings for a total purchase price of \$17,750,000 before furniture, fixtures and equipment. The refundable deposit of \$3,000,000 at August 31, 2016 was applied on purchase. This property was classified as an investment property (Note 4).

Management has determined that the Company and certain of its subsidiaries have control over GEC LP 5 and, accordingly, have consolidated the results of GEC LP 5 for the period subsequent to formation, notwithstanding the fact that GEC Holdings owns less than the majority of voting units (25%) at November 30 and August 31, 2016. Rights held by a group of limited partners who own 60% of the limited partnership were determined to be protective and not substantive, and did not preclude the Company having control.

In conjunction with the purchase of the Property, the Company entered into a head lease agreement with the limited partnership which requires the Company to pay minimum and additional rents for the commercial units, residential units and parking. During the three months ended November 30, 2016, the Company expensed \$116,343 (2015 – \$Nil) under the head lease agreement, and earned \$66,349 (2015 – \$Nil) of rental revenue from the operations of the property for the same period.

In connection with the GEC Project 5, the Company recognized development fees of \$1,428,571 for services provided related to negotiating the purchase and sale agreement and organizing the formation of GEC LP 5.

The Sixth Project (“GEC Project 6”)

In August 2016, the Company formed a new limited partnership (“GEC LP 6”) and became the general partner of this limited partnership. On September 29, 2016, GEC LP 6 purchased five parcels of land located in Metro Vancouver for \$17,000,000, with an option to purchase a sixth adjacent parcel from another owner upon development permit approval. The site will become the future home of one of the Company’s real estate developments. The Property is classified as an investment property at November 30, 2016 (Note 4).

At November 30, 2016, GEC LP 6 has received \$7,650,000 of subscriptions from qualified investors for partnership units. It is expected that an additional \$3,525,000 will be received in Phase 1 of fundraising. Refer to Note 12.

Management has determined that the Company and certain of its subsidiaries have control over GEC LP 6 and, accordingly, have consolidated the results of GEC LP 6 for the period subsequent to formation, notwithstanding the fact that GEC Holdings owns less than the majority of voting units at November 30, 2016. Rights held by a widely dispersed group of limited partners who own the majority of the partnership units were determined to be protective and not substantive, and did not preclude the Company having control.

In connection with the GEC Project 6, the Company recognized development fees of \$1,821,429 for services provided related to locating the site, negotiating the purchase and sale agreement and organizing the formation of GEC LP 6.

NOTE 3 – REAL ESTATE DEVELOPMENT (cont'd)

The Seventh Project (“GEC Project 7”)

In August 2016, the Company formed a new limited partnership (“GEC LP 7”) and became the general partner of this limited partnership. In September 2016, the Company signed a Memorandum of Understanding with the WestStone Group, a leading real estate development company in Western Canada, to construct GEC Project 7. A refundable deposit of \$100,000 was paid associated with this agreement. The project is expected to cost approximately \$230 million.

At November 30, 2016, GEC LP 7 has received \$5,100,000 of subscriptions from qualified investors for partnership units. It is expected that an additional \$1,225,000 will be received in Phase 1 of fundraising. Refer to Note 12.

Management has determined that the Company and certain of its subsidiaries have control over GEC LP 7 and, accordingly, have consolidated the results of GEC LP 7 for the period subsequent to formation, notwithstanding the fact that GEC Holdings owns less than the majority of voting units at November 30, 2016. Rights held by a widely dispersed group of limited partners who own the majority of the partnership units were determined to be protective and not substantive, and did not preclude the Company having control.

In connection with the GEC Project 7, the Company recognized development fees in the amount of \$1,214,286 for services provided related to locating the site, negotiating the purchase and sale agreement and organizing the formation of GEC LP 7.

NOTE 4 – INVESTMENT PROPERTIES

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

	November 30, 2016	August 31, 2016
Balance, beginning of period	\$ 49,900,000	\$ 38,100,000
Acquisition costs	35,661,184	-
Property and equipment	126,821	-
Additions during the period	287,382	925,265
Interest on borrowings capitalized during the period	349,060	1,095,589
Gain on fair value during the period	2,098,729	9,779,146
Balance, end of period	\$ 88,423,176	\$ 49,900,000

On initial recognition investment properties were recorded at cash consideration paid plus transaction costs. The Company selected the fair value model to apply to its investment properties. At November 30, 2016, the investment properties include GEC Property 3, GEC Property 5 and GEC Property 6 and at August 31, 2016 include GEC Project 3.

GEC Project 3

The Company determined the fair value of the property as at November 30, 2016 to be \$50,314,739 (August 31, 2016 - \$49,900,000). In June 2015, GEC LP 3 commenced renovations to convert the majority of the office and residential rental units in GEC Property 3 into student housing. A portion of these renovations were completed during the year ended August 31, 2016 with the remaining renovations budgeted for approximately \$2,900,000 expected to be completed by March 2017. During the three months ended November 30, 2016 and 2015, respectively, there were \$368,231 and \$341,787 of rental revenues which were offset by \$192,612 and \$202,538 of direct operating expenses associated with the investment property that generated rental income and \$369,643 and 251,599 of direct operating expenses that did not generate income.

GEC Project 5

The Company determined the fair value of the property as at November 30, 2016 to be \$20,500,000. The property was purchased in October 2016 and during the three months ended November 30, 2016 there were \$66,349 of rental revenues which were offset by direct operating expenses that generated rental income of \$49,440 and \$112,921 of direct operating expenses that did not generate income.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NOVEMBER 30, 2016

(Unaudited)

NOTE 4 – INVESTMENT PROPERTIES (cont'd)

GEC Project 6

The Company determined the fair value of the property as at November 30, 2016 to be \$17,608,437. The property was purchased in September 2016 and during the three months ended November 30, 2016, there were \$35,623 of rental revenues which were offset by direct operating expenses that generated rental income of \$Nil and \$563,182 of direct operating expenses that did not generate income. The valuation of investment properties is a level 3 fair value measurement as it involves a significant unobservable input.

NOTE 5 – INTERESTS IN OTHER ENTITIES

(a) Principal Subsidiaries

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	Principal place of business	Percentage of Ownership as at	
		November 30, 2016	August 31, 2016
CIBT School of Business & Technology Corp.	China	100%	100%
Sprott-Shaw Degree College Corp.	Canada	100%	100%
IRIX Design Group Inc.	Canada	51%	51%
Global Education City Holdings Inc.	Canada	100%	100%
CIBT Group Holdings Inc.	Canada	100%	100%

(b) Non-Controlling Interests

The following table summarizes the non-controlling interests that are material to the Company.

Subsidiary / division	Non-controlling interest %	
	November 30, 2016	August 31, 2016
Beihai College ⁽¹⁾	0.00%	0.00%
Irix Design Group Inc.	49.00%	49.00%
GEC Project 1	76.97%	76.97%
GEC Project 2 ⁽²⁾	57.19%	57.19%
GEC Project 3	80.00%	80.00%
GEC Project 5	75.00%	75.00%
GEC Project 6 ⁽³⁾	86.93%	0.00%
GEC Project 7 ⁽³⁾	100.00%	0.00%

⁽¹⁾ Beihai College was a subsidiary of CIBT School of Business & Technology Corp. until February 29, 2016 of which 40% was held by a non-controlling interest. Effective March 1, 2016, Beihai is treated as a joint operation (see below).

⁽²⁾ Changes in the ownership of GEC LP 2 during the year ended August 31, 2016 resulted in a direct charge to equity (a decrease) during the year of \$36,870.

⁽³⁾ Contributions for GEC Project 6 and 7 commenced in the three months ended November 30, 2016.

(c) Joint Operations

CIBT School of Business and Technology and Weifang University established CIBT Beihai International Management School ("Beihai"), which is Chinese-foreign cooperatively-run school whose principal place of business is China, of which the Company has a 60% interest in the joint arrangement. As a result of a change in the board composition of Beihai on March 1, 2016 and the resulting voting rights being equal between the joint parties, the Company lost control of Beihai. The results of Beihai for the period to February 29, 2016 are included in the consolidated results of the Company, and thereafter, the Company has recognized its proportionate share of assets, liabilities, revenues, and expenses of this business using the proportion consolidation method. Beihai results are included within the CIBT (China) reporting segment.

NOTE 5 – INTERESTS IN OTHER ENTITIES (cont'd)**(d) Investment in Associates**

The following table shows the continuity of the Company's carrying value of its investments in associates. These investments are accounted for using the equity method. The Company adjusts each associates financial results, where appropriate, to give effect to uniform accounting policies.

	GEC LP 1 ⁽¹⁾	GEC LP 4	Total
Carrying value – September 1, 2016	\$ -	\$ 1,453,445	\$ 1,453,445
Share of net income (loss) in investee	-	(109,023)	(109,023)
Carrying value – November 30, 2016	\$ -	\$ 1,344,422	\$ 1,344,422
	GEC LP 1	GEC LP 4	Total
Carrying value – September 1, 2015	\$ 240,440	\$ -	\$ 240,440
Contributions to LP	-	1,800,000	1,800,000
Recognition of development fee	242,418	-	242,418
Share of net income (loss) in investee	278,535	(346,555)	(68,020)
Other adjustments	(27,578)	-	(27,578)
Distribution on dissolution (Note 3)	(733,815)	-	(733,815)
Carrying value – August 31, 2016	\$ -	\$ 1,453,445	\$ 1,453,445

- ⁽¹⁾ During the year ended August 31, 2016, GEC LP 1's distributed the capital contributions and other net earnings to the capital partners and this partnership was dissolved. For the three months ended November 30, 2015, GEC LP 1 share of net loss from investee was \$2,328.

The following table summarizes the financial information of GEC LP 4 as included in its own financial statements adjusted for differences in accounting policies. The table also reconciles the summarized financial information to the carrying amount of the Company's interest in GEC LP 4. Information is only presented from the date of formation of the limited partnership in which the Company holds an interest (Note 3). Capital contributions are disproportionate to percentage of units which results in a different carrying value in the associate.

	November 30, 2016
Current assets	\$ 529,632
Non-current assets	37,999,893
Total assets	\$ 38,529,525
Current liabilities	\$ 591,000
Non-current liabilities	34,216,412
Total liabilities	\$ 34,807,412
Net assets (100%)	\$ 3,723,113
	For the three months ended November 30, 2016
Revenue	\$ 670,181
Loss from operations	\$ 545,113
Other comprehensive income	-
Total comprehensive loss	\$ 545,113
Company's share of total comprehensive income (loss)	\$ (109,023)

NOTE 6 – BORROWINGS

The carrying value of debt held by the Company is as follows:

	November 30, 2016	August 31, 2016
Mortgages payable – refer to GEC Project 3 below	\$ 28,386,099	\$ 28,312,602
Mortgages payable – refer to GEC Project 5 below	15,970,973	-
Mortgages payable – refer to GEC Project 6 below	8,197,099	-
Loan payable – refer to Demand Loan below	-	480,000
Other loan	42,052	45,462
	52,596,223	28,838,064
Less: current portion	(13,638)	(493,638)
	<u>\$ 52,582,585</u>	<u>\$ 28,344,426</u>

GEC Project 3 Debt Refinancing

In June 2016, GEC LP 3 and related companies refinanced its existing debt. The original first mortgage of \$30,560,000 was refinanced on July 13, 2016 to a reduced amount of \$10,000,000 (“Reduced Loan”). This Reduced Loan matures June 30, 2018 and bears interest at the greater of: (a) 9.5% per annum; and (b) HSBC prime rate plus 6.80%, increasing to 18% after May 31, 2018. Interest continues to be calculated on a consistent basis as the original Mortgage. A fee of \$150,000 was incurred in connection with this refinancing. The Reduced Loan may be prepaid in full after \$475,000 of interest on the Reduced Loan has been earned and paid subject to other requirements. The extension and amendment of the original first mortgage was not considered an extinguishment of debt or a substantial modification of terms. As such the costs incurred reduce the carrying value of the debt and are accreted as financing costs over the term of the new loan. A total amount of \$475,000 was deposited into an interest reserve to fund future interest payments, of which \$161,000 remains at November 30, 2016 (August 31, 2016 - \$397,202).

In connection with the Reduced Loan, the Company has entered into a new commitment with another third-party financier to provide for a first mortgage loan in the amount of \$22,000,000. On July 13, 2016, \$18,825,000 of funds were advanced to reduce the original Mortgage to the Reduced Loan amount and to pay for various costs associated with the refinancing. An additional \$3,175,000 is available for future advances. The new loan matures in July 2018 and bears interest at the Bank of Montreal prime rate plus 1.50% per annum, subject to a minimum 4.20% interest rate per annum. Certain fees were incurred in conjunction with the financing. A total amount of \$500,000 was deposited into an interest reserve to fund future interest payments, of which \$301,674 remains at November 30, 2016 (August 31, 2016 - \$500,411).

In connection with the new borrowing transactions, the Company incurred a total of \$717,092 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. For costs associated with loans which matured these amounts were fully expensed in the period of loan maturity. During the three months ended November 30, 2016 and 2015, respectively, a total of \$73,497 and \$Nil of these costs was expensed. In addition, during the three months ended November 30, 2016 and 2015, respectively, a total of \$433,323 and \$434,867 of interest was accrued of which \$64,985 was included in accounts payable and accrued liabilities as of November 30, 2016 (August 31, 2016 - \$67,151). Of the total interest incurred on this loan to date of \$3,221,520, a total of \$217,368 was capitalized to the GEC Project 3 Investment Property during the three months ended November 30, 2016, resulting in total capitalized interest of \$2,244,493.

The first and second mortgages are secured by: the GEC Project 3 property, a guarantee by Sprott-Shaw Degree College Corp, a secured deposit to be applied against cost over runs at the lender’s discretion, and a general security agreement from each of the Borrowers.

NOTE 6 – BORROWINGS (cont'd)

GEC Project 5 Debt

In October 2016, GEC LP 5 and related companies obtained a first mortgage for a total of \$12,000,000 due 24 months from November 1, 2016 which bears interest at a rate for of 4.2% per annum, calculated daily and compounded monthly until paid. The agreement includes a holdback of \$1,000,000 which will be released upon the signing of commercial tenant leases and occupancy. Of this \$1,000,000 holdback, \$600,000 will be used to prepay a portion of the second mortgage. The lender may extend a renewal offer of six months in advance of the loan due date. The loan requires repayments of \$1,000 monthly plus interest, with all amounts due on November 1, 2018 or on demand in the case of default. Partial or full repayment of the loan before maturity date is permitted with no penalty. The assets of GEC Project 5 and other guarantees collateralize the borrowings. Lender and third costs party were incurred in securing the loan.

In addition, GEC LP 5 obtained a second mortgage for a total of \$4,300,000 due 27 months from November 1, 2016 which bears interest for the first 24 months at the greater of: (a) the annual TD Canada Trust prime rate, plus 7.30%; and (b) 10.0%. For the remaining three months of the term interest is the greater of: (a) prime rate plus 11.3%; and (b) 14%. An interest reserve of \$300,000 was paid from the proceeds but will only be available to be drawn down by \$25,000 monthly thereafter requiring Company to provide additional funds. The lender may extend a renewal offer of six months in advance of the loan due date. The loan requires repayments of monthly interest only, with all amounts due on February 1, 2019 or on demand in the case of default. The loan may be repaid in its entirety with 60 days written notice and subject to minimum interest reserves and penalties. The assets of GEC Project 5 and other guarantees collateralize the borrowings; however, are subordinate to the first mortgage. Lender and third party costs were incurred in securing the loan.

In connection with the transactions, the Company incurred a total of \$344,089 in costs which have been included in the carrying value of the mortgages and will be accreted as finance costs over the term on an effective interest basis. During the three months ended November 30, 2016 a total of \$15,062 of these costs was expensed. In addition, during the three months ended November 30, interest expense of \$87,003 was incurred on both mortgages.

GEC Project 6 Debt

On September 29, 2016, GEC LP 6 obtained a first mortgage for a total of \$8,500,000 due 13 months from October 1, 2016 which bears interest for the first 12 months at a rate of 9% per annual compounded monthly and interest for the last month at 15% compounded monthly. The borrower has a one-time right to extend the maturity date of the loan by 12 months in advance of the loan due date subject to certain provisions. The loan requires monthly repayments of \$63,750 to October 1, 2017 and \$106,250 thereafter until all amounts are paid. The loan is not eligible for prepayment before June 1, 2017 after which it may be prepaid in no less than \$50,000 increments. The assets of GEC Project 6 and other guarantees collateralize the borrowings. Lender and third party costs were incurred in securing the loan.

In connection with the transactions, the Company incurred a total of \$360,741 in costs which have been included in the carrying value of the mortgages and will be accreted as finance costs over the term on an effective interest basis. During the three months ended November 30, 2016 a total of \$57,840 of these costs was expensed. During the three months ended November 30, 2016, interest expense of \$131,692 was incurred, all of which was capitalized to the GEC Project 6 Investment Property (Note 4).

Demand Loan

In connection with the reorganization of GEC Project 1, the Company assumed a \$480,000 loan from an unrelated party. The debt is payable on demand, unsecured and bears interest at a rate of 12% per annum. A total of \$56,495 interest cost was incurred on the debt and the principal and interest were fully repaid in October 2016.

NOTE 7 – SHARE CAPITAL**Share purchase warrants**

The Company has 153,300 share purchase warrants outstanding exercisable at a price of \$0.25 per share exercisable to July 20, 2017, and 2,181,000 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, 2016 are as follows:

Number of Warrants	Exercise Price	Expiry Date	Remaining Contractual Life
153,300	\$0.25	July 20, 2017	0.64 years
2,181,000	\$0.30	July 20, 2017	0.64 years
<u>2,334,300</u>			

Stock options

The Company has stock options outstanding to certain employees, officers and directors providing the right to purchase up to 2,373,000 shares at prices ranging from \$0.24 per share to \$0.41 per share exercisable for periods ending from January 6, 2017 to August 5, 2021.

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, 2016 are as follows:

Number of Options	Exercise Price	Expiry Date	Remaining Contractual Life
1,953,000	\$0.24	January 6, 2017	0.10 years
75,000	\$0.25	April 7, 2017	0.35 years
30,000	\$0.37	July 10, 2019	2.61 years
165,000	\$0.38	July 21, 2021	4.64 years
150,000	\$0.41	August 5, 2021	4.68 years
<u>2,373,000</u>			

As at November 30, 2016, a total of 2,129,250 stock options were exercisable with a weighted average exercise price of \$0.26 per share

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NOVEMBER 30, 2016

(Unaudited)

NOTE 8 – 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 29, 2016, the Company received approval from the TSX to a renewed 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 current normal course issuer bid expires on February 28, 2017.

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

	Number	Value
Balance, August 31, 2016	372,600	\$ 173,855
Purchases of treasury shares	631,800	355,564
Cancellation of treasury shares	-	-
Balance, November 30, 2016	1,004,400	\$ 529,419

Subsequent to November 30, 2016, a total of 1,238,700 treasury shares were cancelled (refer to Note 12).

NOTE 9 – GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses are comprised of the following:

	Three Months Ended November 30, 2016	Three Months Ended November 30, 2015
Advertising	\$ 831,256	\$ 998,449
Bank charges and interest	47,235	44,158
Consulting and management fees	278,967	181,475
Investor relations	47,200	31,999
Office and general	563,450	474,578
Professional fees	467,621	272,595
Rent	824,136	890,302
Salaries and benefits	1,894,585	1,965,282
Travel and promotion	91,558	73,368
	\$ 5,046,008	\$ 4,932,206

NOTE 10 – 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, 2016	Three Months Ended November 30, 2015
Accounts receivable	\$ (2,251,603)	\$ (3,458,086)
Prepaid expenses	13,947	14,344
Inventory	(89,990)	(757)
Accounts payable and accrued liabilities	2,040,091	492,428
Income taxes payable	(254)	(21)
Deferred educational revenues	2,559,827	1,463,348
Cash held in trust	434,939	-
	\$ 2,706,957	\$ (1,488,744)

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

NOTE 11 – RELATED PARTY TRANSACTIONS

Significant transactions between the Company and the following related parties:

	November 30, 2016	August 31, 2016
Accounts receivable - Weifang University (1)	\$ 2,404,550	\$ 2,139,876
Accounts payable - Weifang University (1)	\$ 452,683	\$ 260,551
Due from officers, employees, directors and non-arm's length investors (2)	\$ 2,075,870	\$ 2,329,947
Due to officers, employees, directors and non-arm's length investors (3)	\$ 3,083,693	\$ 1,016,825

- 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, 2016, the amount due from officers, employees, directors and non-arm's length investors is comprised of the following:

	November 30, 2016	August 31, 2016
Due from Investor of GEC Project 2	\$ 635,000	\$ 635,000
Due from Developer of GEC Project 2	500,000	1,004,795
Due from GEC LP 4	686,785	461,000
Due from Beihai College	254,085	229,152
	<u>\$ 2,075,870</u>	<u>\$ 2,329,947</u>

Amount due from Developer of GEC Project 5 bears interest at 5% per annum and is due upon completion and closing of the project. Amount due from an investor of GEC Project 2 is non-interest bearing with no set terms of payment and will be repaid through additional funding of GEC Project 2 LP by an Investor. All other amounts due are non-interest bearing and have no fixed terms of repayment. Transactions with related parties 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 of November 30, 2016, the amount due to officers, employees, directors and non-arm's length investors is comprised of the following:

	November 30, 2016	August 31, 2016
Due to officers and directors of the Company	\$ 51,363	\$ 1,363
Due to the President of IRIX	194,507	187,237
Due to third-party investor of GEC Project 3	837,823	828,225
Due to third-party investor of GEC Project 6	2,000,000	-
	<u>\$ 3,083,693</u>	<u>\$ 1,016,825</u>

The amount due to third-party investors of GEC Project 3 bears interest at 5% per annum and has no fixed terms of repayment. All other amounts due are non-interest bearing and have no fixed terms of repayment. Transactions with related parties 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.

During the three months ended November 30, 2016 and 2015, respectively, the Company and its subsidiaries incurred a total of \$156,798 (2015 – \$165,260) for management fees and salaries paid to certain directors and officers employed by the Company and its subsidiaries.

NOTE 12 – SUBSEQUENT EVENTS

Share Purchase Warrants

A total of 165,000 share purchase warrants with an exercise price of \$0.30 per share were exercised subsequent to November 30, 2016.

Stock Options

A total of 1,590,000 stock options with an exercise price of \$0.24 per share were exercised subsequent to November 30, 2016. A total of 363,000 stock options with an exercise price of \$0.24 per share expired on January 6, 2017.

Treasury Shares

On January 5, 2017, the Company cancelled a total of 1,238,700 treasury shares with an accumulated cost of \$671,161.

GEC Project Funding

Subsequent to November 30, 2016, subscription proceeds totalling \$3,525,000 were received for GEC Project 6 and subscription proceeds totalling \$1,225,000 were received for GEC Project 7. To date, total subscription proceeds of \$11,175,000 have been received for GEC Project 6 and total subscription proceeds of \$6,325,000 have been received for GEC Project 7.

NOTE 13 – 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 and VIC operates English language 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, VIC, 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, 2016						
	CIBT (China)	SSDC (Canada)	VIC (Canada)	IRIX (Canada)	GEC (Canada)	Corporate (Canada)	Consolidated
Revenues							
Educational	\$ 480,288	\$ 6,166,094	\$ 712,587	\$ -	\$ -	\$ -	\$ 7,358,969
Design and advertising	-	-	-	215,882	-	-	215,882
Commissions and referral fees	276,124	-	-	-	-	-	276,124
Development fees	-	-	-	-	-	4,464,286	4,464,286
Rental	-	-	-	-	1,664,615	-	1,664,615
	<u>\$ 756,412</u>	<u>\$ 6,166,094</u>	<u>\$ 712,587</u>	<u>\$ 215,882</u>	<u>\$ 1,664,615</u>	<u>\$ 4,464,286</u>	<u>\$ 13,979,876</u>
Revenues, net of direct costs	\$ 325,627	\$ 3,607,766	\$ 361,157	\$ 185,988	\$ 431,277	\$ 4,464,286	\$ 9,376,101
Other expenses and items:							
General and administrative	(237,356)	(3,032,168)	(300,220)	(175,360)	(247,600)	(1,053,304)	(5,046,008)
Amortization	(20,429)	(160,684)	(6,060)	(4,297)	(22,897)	(1,175)	(215,542)
Share-based payment expense	-	-	-	-	-	(6,252)	(6,252)
Interest and other income	21,766	-	-	125	238,393	-	260,284
Foreign exchange gain (loss)	(56,817)	-	-	11,207	2,596	1,422	(41,592)
Finance costs	-	(9,278)	-	-	(312,557)	-	(321,835)
Finance fees	-	-	-	-	(146,399)	-	(146,399)
Income (loss) from investment in associates	-	-	-	-	(301,901)	-	(301,901)
Gain on fair value changes in investment properties	-	-	-	-	2,098,729	-	2,098,729
Gain (loss) on disposal of assets	-	5,398	-	-	-	-	5,398
Inter-segment transactions	-	(117,823)	-	8,752	(894,533)	1,003,604	-
Income (loss) from continuing operations	32,791	293,211	54,877	26,415	845,108	4,408,581	5,660,983
Discontinued operations	-	-	-	-	-	-	-
Inter-segment transactions - discontinued operations	-	-	-	-	-	-	-
Net income (loss)	<u>\$ 32,791</u>	<u>\$ 293,211</u>	<u>\$ 54,877</u>	<u>\$ 26,415</u>	<u>\$ 845,108</u>	<u>\$ 4,408,581</u>	<u>\$ 5,660,983</u>

NOTE 13 – SEGMENTED INFORMATION (cont'd)

Industry and Geographic Segments	November 30, 2016						
	CIBT (China)	SSDC (Canada)	VIC (Canada)	IRIX (Canada)	GEC (Canada)	Corporate (Canada)	Consolidated
Total assets	\$ 4,026,464	\$ 25,072,664	\$ 640,378	\$ 202,758	\$ 111,518,751	\$ 3,243,194	\$ 144,704,209
Property and equipment	\$ 110,341	\$ 2,267,284	\$ 77,602	\$ 56,533	\$ 419,288	\$ 22,327	\$ 2,953,375
Investment properties	\$ -	\$ -	\$ -	\$ -	\$ 88,423,176	\$ -	\$ 88,423,176
Intangible assets	\$ 662,059	\$ 7,496,627	\$ 277,430	\$ -	\$ -	\$ -	\$ 8,436,116
Goodwill	\$ -	\$ 4,403,303	\$ 1,318,604	\$ -	\$ -	\$ -	\$ 5,721,907
Total liabilities	\$ 558,593	\$ 17,320,343	\$ 502,990	\$ 357,337	\$ 58,164,337	\$ 976,005	\$ 77,879,605
Non-controlling interests	\$ 49,344	\$ -	\$ -	\$ (213,175)	\$ 37,952,629	\$ -	\$ 37,788,798
Capital expenditures	\$ 2,433	\$ 765,505	\$ 12,306	\$ 1,041	\$ 175,240	\$ -	\$ 956,525

NOTE 13 – SEGMENTED INFORMATION (cont’d)

Industry and Geographic Segments	Three Months Ended November 30, 2015						
	CIBT (China)	SSDC (Canada)	VIC (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>\$ -</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)
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 on fair value changes in investment properties	-	-	-	-	-	-	-
Gain (loss) on disposal of assets	(8,863)	-	-	-	-	-	(8,863)
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>\$ -</u>	<u>\$ (14,357)</u>	<u>\$ (236,861)</u>	<u>\$ 758,882</u>	<u>\$ 387,900</u>

NOTE 13 – SEGMENTED INFORMATION (cont'd)

Industry and Geographic Segments	November 30, 2015						Consolidated
	CIBT (China)	SSDC (Canada)	VIC (Canada)	IRIX (Canada)	GEC (Canada)	Corporate (Canada)	
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

--- END OF FINANCIAL STATEMENTS ---