



## **CIBT EDUCATION GROUP INC.**

### **CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**MAY 31, 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)

	May 31, 2016	August 31, 2015
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and cash equivalents	\$ 2,309,831	\$ 2,286,631
Restricted cash	228,836	227,564
Cash held in escrow	1,000,000	-
Cash held in trust	478,182	-
Accounts receivable	10,107,074	7,975,499
Prepaid expenses	728,876	714,763
Inventory	460,591	441,150
<b>TOTAL CURRENT ASSETS</b>	<b>15,313,390</b>	<b>11,645,607</b>
<b>CASH HELD IN TRUST</b>	<b>-</b>	<b>660,010</b>
<b>DUE FROM RELATED PARTIES</b>	<b>735,000</b>	<b>735,000</b>
<b>DEPOSIT RESERVE</b>	<b>500,000</b>	<b>500,000</b>
<b>PROPERTY AND EQUIPMENT</b>	<b>2,226,028</b>	<b>2,518,789</b>
<b>INVESTMENT PROPERTIES</b>	<b>47,000,000</b>	<b>38,100,000</b>
<b>DEFERRED COSTS</b>	<b>443,355</b>	<b>10,306</b>
<b>REFUNDABLE DEPOSITS</b>	<b>12,800,000</b>	<b>10,875,000</b>
<b>INVESTMENT IN ASSOCIATES</b>	<b>4,572,501</b>	<b>240,440</b>
<b>INTANGIBLE ASSETS</b>	<b>9,467,777</b>	<b>8,472,376</b>
<b>GOODWILL</b>	<b>4,403,303</b>	<b>4,793,303</b>
<b>DEFERRED INCOME TAX ASSETS</b>	<b>2,115,926</b>	<b>2,115,926</b>
<b>ASSETS HELD FOR SALE</b>	<b>1,276,418</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>\$ 100,853,698</b>	<b>\$ 80,666,757</b>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 5,531,198	\$ 4,726,161
Due to GEC LP 1	633,815	2,160,010
Income taxes payable	170,136	176,259
Deferred educational revenue	11,059,140	10,319,570
Refundable deposit on sale of assets	2,031,866	-
Current portion of finance lease obligations	54,184	208,094
Current portion of long-term debt	25,026,394	23,675,080
Due to related parties and investment partners	2,896,615	1,847,159
<b>TOTAL CURRENT LIABILITIES</b>	<b>47,403,348</b>	<b>43,112,333</b>
<b>FINANCE LEASE OBLIGATIONS</b>	<b>521,214</b>	<b>457,416</b>
<b>LONG-TERM DEBT</b>	<b>-</b>	<b>-</b>
<b>DEFERRED INCOME TAX LIABILITIES</b>	<b>972,246</b>	<b>972,246</b>
<b>LIABILITIES HELD FOR SALE</b>	<b>1,241,120</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>50,137,928</b>	<b>44,541,995</b>
<b>EQUITY</b>		
<b>SHARE CAPITAL</b>	<b>49,945,076</b>	<b>49,930,446</b>
<b>RESERVES</b>	<b>5,871,450</b>	<b>5,884,084</b>
<b>DEFICIT</b>	<b>(30,851,073)</b>	<b>(35,589,817)</b>
<b>ACCUMULATED OTHER COMPREHENSIVE INCOME</b>	<b>89,508</b>	<b>381,698</b>
<b>EQUITY ATTRIBUTABLE TO CIBT EDUCATION GROUP INC. SHAREHOLDERS</b>	<b>25,054,961</b>	<b>20,606,411</b>
<b>NON-CONTROLLING INTERESTS</b>	<b>25,660,809</b>	<b>15,518,351</b>
<b>TOTAL EQUITY</b>	<b>50,715,770</b>	<b>36,124,762</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 100,853,698</b>	<b>\$ 80,666,757</b>

*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 May 31, 2016	Three Months Ended May 31, 2015	Nine Months Ended May 31, 2016	Nine Months Ended May 31, 2015
<b>REVENUES</b>				
Educational	\$ 7,021,842	\$ 7,160,266	\$ 21,025,350	\$ 20,651,614
Design and advertising	147,556	330,144	615,422	850,189
Commissions and referral fees	189,857	181,563	576,376	387,774
Development fees	-	-	3,624,808	1,132,320
Rental	784,308	296,295	1,440,793	377,864
	<b>8,143,563</b>	<b>7,968,268</b>	<b>27,282,749</b>	<b>23,399,761</b>
<b>DIRECT COSTS</b>				
Educational	3,028,948	2,817,932	9,121,786	8,340,444
Design and advertising	30,793	99,288	148,864	243,212
Commissions and referral fees	68,878	90,226	373,972	229,428
Rental	234,855	137,951	684,542	214,078
	<b>3,363,474</b>	<b>3,145,397</b>	<b>10,329,164</b>	<b>9,027,162</b>
<b>OTHER EXPENSES</b>				
General and administrative	4,870,623	4,662,263	14,980,991	14,206,742
Amortization (excluding agency fees)	238,700	251,543	718,896	714,549
Share-based payment expense	253	7,198	751	14,463
Business development costs	-	-	-	90,000
	<b>5,109,576</b>	<b>4,921,004</b>	<b>15,700,638</b>	<b>15,025,754</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(329,487)</b>	<b>(98,133)</b>	<b>1,252,947</b>	<b>(653,155)</b>
<b>INTEREST AND OTHER INCOME</b>	<b>216,627</b>	<b>2,457</b>	<b>298,871</b>	<b>24,492</b>
<b>FOREIGN EXCHANGE GAIN (LOSS)</b>	<b>(28,275)</b>	<b>6,880</b>	<b>(48,376)</b>	<b>217,133</b>
<b>FINANCE COSTS</b>	<b>(230,230)</b>	<b>(437,732)</b>	<b>(327,003)</b>	<b>(607,281)</b>
<b>FINANCE FEES</b>	<b>(90,029)</b>	<b>(180,773)</b>	<b>(494,414)</b>	<b>(241,203)</b>
<b>INCOME (LOSS) FROM INVESTMENT IN ASSOCIATES</b>	<b>2,367,649</b>	<b>-</b>	<b>2,221,807</b>	<b>57,582</b>
<b>GAIN (LOSS) ON FAIR VALUE CHANGES IN INVESTMENT PROPERTIES</b>	<b>7,109,653</b>	<b>-</b>	<b>7,109,653</b>	<b>3,287,857</b>
<b>GAIN (LOSS) ON DISPOSAL OF ASSETS</b>	<b>-</b>	<b>(55,035)</b>	<b>(8,363)</b>	<b>(58,500)</b>
<b>INCOME (LOSS) BEFORE INCOME TAXES</b>	<b>9,015,908</b>	<b>(762,336)</b>	<b>10,005,122</b>	<b>2,026,925</b>
<b>INCOME TAXES</b>				
Current income tax expense (recovery)	2,534	83	2,534	3,492
Deferred income tax expense (recovery)	-	-	-	-
	<b>2,534</b>	<b>83</b>	<b>2,534</b>	<b>3,492</b>
<b>INCOME (LOSS) FROM CONTINUING OPERATIONS</b>	<b>9,013,374</b>	<b>(762,419)</b>	<b>10,002,588</b>	<b>2,023,433</b>
<b>INCOME (LOSS) FROM DISCONTINUED OPERATIONS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET INCOME (LOSS)</b>	<b>\$ 9,013,374</b>	<b>\$ (762,419)</b>	<b>\$ 10,002,588</b>	<b>\$ 2,023,433</b>
<b>ATTRIBUTABLE TO:</b>				
CIBT Education Group Inc. shareholders	\$ 3,567,232	\$ (289,714)	\$ 4,935,561	\$ 26,937
Non-controlling interests	5,446,142	(472,705)	5,067,027	1,996,496
<b>NET INCOME (LOSS)</b>	<b>\$ 9,013,374</b>	<b>\$ (762,419)</b>	<b>\$ 10,002,588</b>	<b>\$ 2,023,433</b>
<b>BASIC AND DILUTED INCOME (LOSS) PER COMMON SHARE - CONTINUING OPERATIONS</b>	<b>\$ 0.05</b>	<b>\$ (0.00)</b>	<b>\$ 0.07</b>	<b>\$ 0.00</b>
<b>BASIC AND DILUTED INCOME (LOSS) PER COMMON SHARE - DISCONTINUED OPERATIONS</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>BASIC AND DILUTED INCOME (LOSS) PER COMMON SHARE - CONTINUING AND DISCONTINUED OPERATIONS</b>	<b>\$ 0.05</b>	<b>\$ (0.00)</b>	<b>\$ 0.07</b>	<b>\$ 0.00</b>
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING</b>				
Basic	68,288,155	64,101,103	68,531,249	64,188,857
Diluted	68,772,884	64,101,103	68,951,925	64,352,086

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 May 31, 2016	Three Months Ended May 31, 2015	Nine Months Ended May 31, 2016	Nine Months Ended May 31, 2015
<b>NET INCOME (LOSS)</b>	\$ 9,013,374	\$ (762,419)	\$ 10,002,588	\$ 2,023,433
<b>OTHER COMPREHENSIVE INCOME (LOSS):</b>				
Unrealized foreign exchange translation adjustment	(112,219)	20,402	(119,259)	358,041
	\$ 8,901,155	\$ (742,017)	\$ 9,883,329	\$ 2,381,474
<b>ATTRIBUTABLE TO:</b>				
CIBT Education Group Inc. shareholders	\$ 3,483,846	\$ (277,603)	\$ 4,643,371	\$ 232,380
Non-controlling interests	5,417,309	(464,414)	5,239,958	2,149,094
	\$ 8,901,155	\$ (742,017)	\$ 9,883,329	\$ 2,381,474

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

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

	Share Capital		Reserves				Accumulated Other Comprehensive Income (Loss)	Deficit	Total Shareholders' Equity	Non-Controlling Interests	Total Equity
	Number of Common Shares	Dollar Amount	Warrants	Share-Based Payments	Ownership Changes	Treasury Shares					
<b>Balance, August 31, 2014</b>	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	-	-	-	-	-	-	205,443	-	205,443	152,598	358,041
Net income (loss) for the period	-	-	-	-	-	-	-	26,937	26,937	1,996,496	2,023,433
							205,443	26,937	232,380	2,149,094	2,381,474
Share-based payments	-	-	-	14,463	-	-	-	-	14,463	-	14,463
Payments to non-controlling interests	-	-	-	-	-	-	-	-	-	(365,633)	(365,633)
Non-controlling interests contributions	-	-	-	-	-	-	-	-	-	4,800,000	4,800,000
Purchase of treasury shares	-	-	-	-	-	(283,358)	-	-	(283,358)	-	(283,358)
Treasury share cancellations	(2,523,100)	-	-	-	-	814,956	-	(814,956)	-	-	-
<b>Balance, May 31, 2015</b>	63,933,753	48,836,693	2,247,463	3,531,860	-	(19,198)	363,690	(36,602,900)	18,357,608	11,740,098	30,097,706
Unrealized translation adjustments	-	-	-	-	-	-	18,008	-	18,008	13,153	31,161
Net income (loss) for the period	-	-	-	-	-	-	-	1,013,083	1,013,083	2,964,258	3,977,341
							18,008	1,013,083	1,031,091	2,977,411	4,008,502
Share-based payments	-	-	-	1,446	-	-	-	-	1,446	-	1,446
Non-controlling interests contributions	-	-	-	-	-	-	-	-	-	1,137,712	1,137,712
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)	-
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	-	-	-	-	-	-	-	-
<b>Balance, August 31, 2015</b>	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	-	-	-	-	-	-	(292,190)	-	(292,190)	172,931	(119,259)
Net income (loss) for the period	-	-	-	-	-	-	-	4,935,561	4,935,561	5,067,027	10,002,588
							(292,190)	4,935,561	4,643,371	5,239,958	9,883,329
Share-based payments	-	-	-	751	-	-	-	-	751	-	751
Non-controlling interests contributions	-	-	-	-	-	-	-	-	-	4,902,500	4,902,500
Changes in ownership interests - GECLP1	-	-	-	-	(27,578)	-	-	-	(27,578)	-	(27,578)
Purchase of treasury shares	-	-	-	-	-	(177,619)	-	-	(177,619)	-	(177,619)
Treasury share cancellations	(672,300)	-	-	-	-	196,817	-	(196,817)	-	-	-
Shares issued - share warrant exercises	38,500	14,630	(5,005)	-	-	-	-	-	9,625	-	9,625
<b>Balance, May 31, 2016</b>	68,196,953	\$ 49,945,076	\$ 2,286,657	\$ 3,534,057	\$ 50,736	\$ -	\$ 89,508	\$ (30,851,073)	\$ 25,054,961	\$ 25,660,809	\$ 50,715,770

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 May 31, 2016	Three Months Ended May 31, 2015	Nine Months Ended May 31, 2016	Nine Months Ended May 31, 2015
<b>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES</b>				
Net income (loss)	\$ 9,013,374	\$ (762,419)	\$ 10,002,588	\$ 2,023,433
Adjusted for items not involving cash:				
- amortization (including agency fees)	238,700	251,543	1,234,690	1,117,867
- share-based payment expense	253	7,198	751	14,463
- (gain) loss on disposal of assets	-	55,035	8,363	58,500
- gain from changes in ownership investment interests	(2,367,649)	-	(2,221,807)	(57,582)
- gain on fair value changes in investment properties	(7,109,653)	-	(7,109,653)	(3,287,857)
- finance fees	90,029	180,773	494,414	241,203
- development fees	1,428,571	-	(1,659,445)	(232,320)
	1,293,625	(267,870)	749,901	(122,293)
Net changes in non-cash working capital items	955,127	1,119,669	691,400	2,473,381
<b>NET CASH FROM (USED IN) OPERATING ACTIVITIES</b>	<b>2,248,752</b>	<b>851,799</b>	<b>1,441,301</b>	<b>2,351,088</b>
<b>CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES</b>				
Purchases of property and equipment	(43,504)	(325,050)	(408,080)	(536,563)
Investment property	(318,931)	-	(723,737)	-
Restricted cash	8,237	(1,467)	(1,001,272)	(27,641)
Equity investments	-	-	-	-
Deposits on real estate properties	(200,000)	825,000	(3,725,000)	75,000
Acquisition of intangible assets	(1,516,660)	18,507	(2,179,481)	(501,452)
Disposal (acquisition) of investment and business assets	-	(79,037)	-	(29,341,180)
Refundable deposit on sale of assets	-	-	2,031,866	-
<b>NET CASH FROM (USED IN) INVESTING ACTIVITIES</b>	<b>(2,070,858)</b>	<b>437,953</b>	<b>(6,005,704)</b>	<b>(30,331,836)</b>
<b>CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES</b>				
Proceeds from issuance of shares	9,625	-	9,625	-
Treasury share transactions	(53,479)	(14,235)	(177,619)	(283,358)
Advances from related parties	(4,486,390)	176,290	(390,325)	855,557
Non-controlling interest capital contributions	4,902,500	-	4,902,500	5,100,000
Finance lease obligation	(39,829)	(42,027)	(111,568)	(120,508)
Long-term debt repayments	-	(150,000)	-	(450,000)
Long-term debt advances	-	-	856,900	22,756,262
Deferred costs	(420,750)	(146,136)	(433,049)	(102,745)
<b>NET CASH FROM (USED IN) FINANCING ACTIVITIES</b>	<b>(88,323)</b>	<b>(176,108)</b>	<b>4,656,464</b>	<b>27,755,208</b>
<b>NET (DECREASE) INCREASE IN CASH</b>	<b>89,571</b>	<b>1,113,644</b>	<b>92,061</b>	<b>(225,540)</b>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON CASH</b>	<b>30,798</b>	<b>(1,695)</b>	<b>32,110</b>	<b>(98,274)</b>
<b>CASH AND CASH EQUIVALENTS IN ASSETS HELD FOR SALE</b>	<b>(46,238)</b>	<b>-</b>	<b>(100,971)</b>	<b>-</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b>2,235,700</b>	<b>1,270,466</b>	<b>2,286,631</b>	<b>2,706,229</b>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>\$ 2,309,831</b>	<b>\$ 2,382,415</b>	<b>\$ 2,309,831</b>	<b>\$ 2,382,415</b>

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**  
**MAY 31, 2016**  
**(Unaudited)**

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**NOTE 1 – DESCRIPTION OF BUSINESS AND NATURE OF OPERATIONS**

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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**

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**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 July 13, 2016.

**Principles of Consolidation**

The consolidated financial statements include the financial statements of the Company and all its subsidiaries as at May 31, 2016. 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	
	May 31, 2016	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.

**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 May 31, 2016 and August 31, 2015 the non-controlling interests were as follows:

Subsidiary / division	Non-controlling interest %	
	May 31, 2016	August 31, 2015
Beihai College	40.00%	40.00%
Irix Design Group Inc.	49.00%	49.00%
Investor 2 in GEC Project 2 <sup>(1)</sup>	55.98% <sup>(1)</sup>	55.98% <sup>(1)</sup>
Investor 3 in GEC Project 3 <sup>(2)</sup>	80.00% <sup>(2)</sup>	80.00% <sup>(2)</sup>

(1) 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.

(2) 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.



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**NOTE 3 – REAL ESTATE DEVELOPMENT**

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**Student Housing and Market Rental Development Projects**

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. The Company is developing 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 ("GEC Project 1")**

In February 2015, CIBT Holdings entered into an agreement with a whereby CIBT Holdings agreed to purchase from certain real property and future planned development thereon ("GEC Property 1"). CIBT Holdings will pay the developer a total of \$15,300,000 in a series of deposits which are refundable prior to closing should the developer not achieve certain developmental milestones including completion of the purchase of the underlying development property. The final balance will be due at the closing following receipt of an occupancy permit which is expected to be approximately April 2017. Total refundable deposits of \$3,000,000 (August 31, 2015 – \$1,500,000) were paid.

Also in February 2015 an amended limited partnership agreement was executed ("GEC LP 1") 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.

In February 2016, the parties to the original limited partnership assigned the assets in the partnership to a newly formed general partner and agreed to distribute all amounts to the then partners in conjunction with the agreement. Furthermore, amounts due at November 30, 2015 to Investor 1 of \$500,000 were repaid.

In connection the original agreement, the Company entered into a Fee Agreement with Investor 1 to compensate the Company for services. At August 31, 2015, the Company had recognized \$222,222 of this amount. During the nine months ended May 31, 2016, an additional amount of \$242,418 (2015 - \$232,320) was recognized associated with this fee representing total contributions made by Investor 1 on behalf of GEC Holdings for units in GEC LP 1 as payment for these services.

As of May 31, 2016, and for the periods since formation to the assignment of assets to GEC LP1 A in February 2016, 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 (refer to Note 5). Management has 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. Management believed 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.

On March 16, 2016, a limited partnership was formed known as ("GEC LP1 A") and an agreement was executed between the following partners:

- Three investors who are limited partners;
- GEC Holdings as a limited partner; and
- GEC GP1 A as general partner, a newly incorporated wholly-owned subsidiary of CIBT Holdings

The GEC LP1 A will be funded in accordance with the schedule contained in the limited partnership agreement. 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 quarter ended May 31, 2016, GEC Holdings contributed a total of \$2,500,000 for its partnership units.

**NOTE 3 – REAL ESTATE DEVELOPMENT (cont'd)**

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

In connection with the new GEC Project 1, the limited partners other than GEC Holdings agreed to compensate the Company for services provided related to locating a third site, negotiating for and organizing the new limited partnership in the amount of \$1,500,000. For the nine months ended May 31, 2016, the Company recognized \$1,500,000, net of GST, of development fee revenues.

Management has determined that the Company and certain of its subsidiaries have control over GEC LP1 A, notwithstanding that GEC Holdings holds only 23.00% of the voting units in GEC LP1 A as at May 31, 2016. Management believes that the Company and its subsidiaries have the power to determine the financial and operating policy decisions of GEC LP1A and that the Company and its subsidiaries have exposure or rights to variable returns from its involvement with GEC LP1 A. Accordingly, the Company has consolidated the results of GEC LP1 A.

Effective March 16, 2016, GEC Mgmt. entered into a 20 year Management Agreement with GEC LP1A whereby GEC Mgmt was retained to manage substantially all the activities of GEC LP1A commencing on the when the developer completes the Project.

**The Second Project (“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 which is expected to be approximately February 2017. As at May 31, 2016, refundable deposits of \$8,500,000 (August 31, 2015 – \$7,500,000) were paid. 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”).

GEC Holdings has committed to contribute total of \$4,455,000 for its partnership units. At May 31, 2016, GEC Holdings had made capital contributions of \$2,550,000 (August 31, 2015 – \$2,250,000) into GEC LP 2 and holds 44.02% (August 31, 2015 – 44.02%) of the voting units in GEC LP 2. The balance of \$1,905,000 of capital contribution is due in various stages ending on or before January 2017. As of May 31, 2016, and for the periods since formation, GEC LP 2 had limited operations.

**The Third Project (“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”) for total cash consideration of \$29,319,000. This purchase was considered an asset acquisition and was classified as an investment property (see Note 4).

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, a subsidiary of the Company. At May 31, 2016, there were no cash distributions made to date.

**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 become a limited partner in this limited partnership (“GEC LP 4”) during the quarter ended February 29, 2016.

**NOTE 3 – REAL ESTATE DEVELOPMENT (cont'd)**

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

Management has determined that the Company and certain of its subsidiaries have significant influence over GEC LP 4, notwithstanding that GEC Holdings only 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 (see Note 5).

In conjunction with the purchase of the hotel, GEC (Granville) Mgmt Corp (“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. During the three and nine months ended May 31, 2016, respectively, GEC Tenant paid \$670,181 and \$1,444,612 to the limited partnership under the head lease agreement, and received \$1,164,637 and \$1,895,449 of rental revenues from the operations of the hotel for the same periods.

**The Fifth Project (“GEC Project 5”)**

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 (“GEC LP 5”). The PSA provides for the GEC LP 5 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. GEC LP 5 will pay a total of \$17,500,000 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 which is expected to be approximately August 2016. At May 31, 2016, refundable deposits totalling \$3,000,000 (August 31, 2015 – \$Nil) were paid.

GEC LP 5 was executed between the following partners:

- “Class A” partners who contributed a maximum of \$6,000,000;
- “Class B” partners who will contribute a maximum of \$1,500,000;
- “Class C” partners; and
- “GEC GP 5 Inc.” as the general partner, a newly incorporated wholly-owned subsidiary of CIBT Holdings.

The GEC LP 5 will be funded in accordance with the schedule contained in the limited partnership agreement. At May 31, 2016, all Class A and Class C partnership units were funded. The Company currently holds no voting rights in GEC LP 5.

As the Company controls GEC GP 5 the cash balances received from the Class A shareholders are consolidated with an offsetting liability to the Class A shareholders. As of May 31, 2016, and for the periods then ended, GEC LP 5 did not have significant operations or cash flows from operations.

GEC Mgmt. entered into a 20 year Management Agreement with GEC LP 5 whereby GEC Mgmt. was retained to manage substantially all the activities of the GEC LP 5 commencing upon completion of the project.

For the nine months ended May 31, 2016, the Company recorded development fee revenues of \$1,500,000, net of GST, for structuring and managing the property development.

**NOTE 4 – INVESTMENT PROPERTIES**

GEC Property 3 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. At May 31, 2016, the Company assessed the carrying value of the investment property to be \$47,000,000 based on a variety of factors including management’s knowledge of the property and recent market transactions in the area.

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

	May 31, 2016	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	723,737	241,146
Interest on long-term debt capitalized during the period	1,066,610	931,536
Gain on fair value changes	7,109,653	7,615,175
Balance, end of period	\$ 47,000,000	\$ 38,100,000

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. The majority of these renovations were completed during the quarter ended February 29, 2016 with the remaining renovations expected to be completed by December 2016. During the three and nine months ended May 31, 2016, respectively, there was \$333,471 and \$989,956 of rental revenues which were offset by \$234,855 and \$684,542 of direct operating expenses associated with the investment property.

**NOTE 5 – INVESTMENT IN ASSOCIATES**

At May 31, 2016, the Company had the following investments in associates. These investments are accounted for using the equity method. The following table shows the continuity of the Company’s carrying value of for the period from August 31, 2015 to May 31, 2016.

	GEC LP 1 (a)	GEC LP 4 (b)	Total
Carrying value – August 31, 2015	\$ 240,440	\$ -	\$ 240,440
Contributions to LP	-	1,800,000	1,800,000
Recognition of structuring fee	242,418	-	242,418
Share of net income (loss) in investee	165,817	2,151,404	2,317,221
Other adjustments	(27,578)	-	(27,578)
Carrying value – May 31, 2016	\$ 621,097	\$ 3,951,404	\$ 4,572,501

- (a) During the quarter ending August 31, 2016, it is GEC LP 1’s intent to distribute the capital contributions and other net earnings to the capital partners. After this time, GEC LP 1 will be inactive.
- (b) During the quarter ended May 31, 2016, GEP LP 4 recorded a gain on fair value changes in its investment property of \$12,269,404 of which 20% or \$2,453,881 is the Company’s proportionate share. This gain was offset by the Company’s proportionate share of operating losses.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

MAY 31, 2016

(Unaudited)

**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 May 31, 2016, 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 May 31, 2016, 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 Company received refundable deposits in connection with the anticipated sale of assets. A total of \$2,031,866 in refundable deposits has been received to date as follows: \$1,031,866 received by the Company and \$1,000,000 in an escrow account, which has been recorded as Cash Held in Escrow as at May 31, 2016. Upon receiving regulatory approval, a remaining balance of \$2,000,000 will be paid by the purchaser to the Company upon closing of the transaction. Refer to Note 13.

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>May 31, 2016</u>
Assets	
Current	
Cash and cash equivalents	\$ 100,971
Accounts receivable	4,097
Prepaid expenses and other	76,900
Inventory	<u>29,319</u>
Total current assets	211,287
Property and equipment	201,791
Intangible assets	473,340
Goodwill	<u>390,000</u>
Total assets	<u>\$ 1,276,418</u>
Liabilities	
Current	
Bank overdraft	\$ -
Accounts payable and accrued liabilities	329,520
Deferred educational revenue	859,275
Current portion of finance lease obligations	<u>4,096</u>
Total current liabilities	1,192,891
Finance lease obligations	<u>48,229</u>
Total liabilities	<u>\$ 1,241,120</u>
Net assets held for sale	<u>\$ 35,298</u>

**NOTE 6 – ASSETS HELD FOR SALE (cont'd)**

The related revenues, costs and expenses are as follows. These amounts are presented in the SSDC operating segment.

	Three Months Ended May 31, 2016	Three Months Ended May 31, 2015	Nine Months Ended May 31, 2016	Nine Months Ended May 31, 2015
Educational revenues	\$ 710,701	\$ 769,571	\$ 1,994,864	\$ 2,106,173
Direct costs – educational	(217,233)	(206,829)	(662,296)	(605,687)
	493,468	562,742	1,332,568	1,500,486
General and administrative expenses	(434,045)	(382,177)	(1,285,109)	(1,230,445)
Amortization	(17,794)	(16,973)	(52,337)	(45,514)
Net income (loss)	\$ 41,629	\$ 163,592	\$ (4,878)	\$ 224,527

**NOTE 7 – LONG-TERM DEBT**

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

	May 31, 2016	August 31, 2015
Mortgage payable - refer to GEC Project 3 debt below	\$ 24,546,394	\$ 23,675,080
Loan payable - refer to Demand Loan below	480,000	-
	25,026,394	23,675,080
Less: current portion	(25,026,394)	(23,675,080)
	\$ -	\$ -

**GEC Project 3 Debt**

In January 2015, GEC LP 3 and related companies obtained a first mortgage loan (the “Mortgage”) to finance the acquisition and renovation of GEC Project 3. The Mortgage was for a total of \$30,560,000 due 13 months from February 1, 2015 and bears interest at a rate for the first year being the greater of: (a) 6.95% per annum, and (b) HSBC prime plus 3.95%, increasing to 15% thereafter effective June 1, 2016. The assets of GEC Project 3 and other guarantees collateralize the borrowings. In January 2016, the Mortgage was renewed and was scheduled to mature in July 2016. A fee of \$150,000 was incurred in connection with the renewal. Subsequent to May 31, 2016, the Mortgage was refinanced (refer to Note 13).

Interest is calculated daily on the balance of loan principal and interest outstanding and is compounded monthly. Interest is payable monthly.

In connection with the Mortgage, the Company incurred a total of \$914,788 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 three and nine months ended May 31, 2016, respectively, a total of \$90,029 and \$466,314 (Fiscal 2015 – \$180,773 and \$418,818) of these costs was expensed. In addition, during the three and nine months ended May 31, 2016, respectively, a total of \$461,759 and \$1,346,301 (Fiscal 2015 – \$424,342 and \$997,361) of interest was accrued of which \$2,055,854 was included in accounts payable and accrued liabilities as of May 31, 2016. Of the total interest incurred of \$2,343,662 to date, \$1,998,146 was capitalized to the GEC Project 3 Investment Property. During the nine months ended May 31, 2016, \$555,000 was advanced as a progress draw in connection with the renovation of GEC Project 3.

**NOTE 7 – LONG-TERM DEBT (cont'd)**

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**GEC Project 3 Debt (cont'd)**

The following table shows the components of the GEC Project 3 debt.

	May 31, 2016	August 31, 2015
Balance, beginning of period	\$ 23,675,080	\$ -
Mortgage advance	555,000	24,021,050
Finance fees	(150,000)	(764,788)
Accretion of finance fees	466,314	418,818
	<hr/>	<hr/>
Balance, end of period	<u>\$ 24,546,394</u>	<u>\$ 23,675,080</u>

**Demand Loan**

In connection with the reorganization of GEC Project 1 (refer to Note 3), the Company assumed the \$480,000 loan from an unrelated party. The debt is payable on demand, unsecured and bears interest at a rate of 12% per annum. During the nine months ended May 31, 2016, a total of \$41,977 interest cost was incurred on the debt with \$9,626 of the interest amount remaining unpaid and included in accounts payable and accrued liabilities as of May 31, 2016.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

MAY 31, 2016

(Unaudited)

**NOTE 8 – SHARE CAPITAL****Share purchase warrants**

The Company has 301,490 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 May 31, 2016 are as follows:

Number of Warrants	Exercise Price	Expiry Date	Remaining Contractual Life
301,490	\$0.25	July 20, 2017	1.14 years
<u>2,448,500</u>	\$0.30	July 20, 2017	1.14 years
<u>2,749,990</u>			

**Stock options**

The Company has stock options outstanding to certain employees, officers and directors providing the right to purchase up to 2,174,000 shares at prices ranging from \$0.24 per share to \$0.37 per share exercisable for periods ending from June 30, 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 30<sup>th</sup> day following the date that the option holder ceases to hold any such position.

Details of options outstanding as at May 31, 2016 are as follows:

Number of Options	Exercise Price	Expiry Date	Remaining Contractual Life
150,000	\$0.25	June 30, 2016	0.08 years
1,994,000	\$0.24	January 6, 2017	0.60 years
<u>30,000</u>	\$0.37	July 10, 2019	3.11 years
<u>2,174,000</u>			

As at May 31, 2016, a total of 2,159,000 stock options were exercisable with a weighted average exercise price of \$0.24 per share



## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

MAY 31, 2016

(Unaudited)

**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 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 expired on February 26, 2016. 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, 2015	68,000	\$ 19,198
Purchases of treasury shares	604,300	177,619
Cancellation of treasury shares	(672,300)	(196,817)
Balance, May 31, 2016	-	\$ -

**NOTE 10 – GENERAL AND ADMINISTRATIVE EXPENSES**

General and administrative expenses are comprised of the following:

	Three Months Ended May 31, 2016	Three Months Ended May 31, 2015	Nine Months Ended May 31, 2016	Nine Months Ended May 31, 2015
Advertising	\$ 685,291	\$ 811,725	\$ 2,591,534	\$ 2,538,208
Bank charges and interest	62,920	51,161	171,477	153,787
Consulting and management fees	252,202	253,293	741,710	711,028
Directors insurance	-	-	15,828	15,766
Investor relations	60,854	63,667	126,356	123,173
Office and general	629,329	620,546	1,693,444	1,633,663
Professional fees	388,886	53,370	957,916	572,299
Rent	745,693	765,201	2,439,849	2,276,531
Salaries and benefits	2,001,464	1,954,889	6,043,962	5,935,509
Travel and promotion	43,984	88,411	198,915	246,778
	\$ 4,870,623	\$ 4,662,263	\$ 14,980,991	\$ 14,206,742

**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 May 31, 2016	Three Months Ended May 31, 2015	Nine Months Ended May 31, 2016	Nine Months Ended May 31, 2015
Short-term investments	\$ -	\$ 498,852	\$ -	\$ 2,082,717
Accounts receivable	1,482,005	1,210,959	(797,840)	(544,020)
Prepaid expenses	(115,456)	146,670	(69,162)	665
Inventory	(47,377)	(63,200)	(48,760)	(15,112)
Accounts payable and accrued liabilities	(167,626)	825,959	(4,014)	246,719
Provisions	-	(2,500)	-	5,980
Income taxes payable	87	(20)	87	(286)
Deferred educational revenues	(196,506)	(1,497,051)	1,611,089	696,718
	\$ 955,127	\$ 1,119,669	\$ 691,400	\$ 2,473,381

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

**NOTE 12 – TRANSACTIONS WITH RELATED PARTIES AND INVESTMENT PARTNERS**

Significant transactions between the Company and the following related parties and investment partners:

	May 31, 2016	August 31, 2015
Accounts receivable - Weifang University (1)	\$ 3,941,588	\$ 3,257,106
Accounts payable - Weifang University (1)	\$ 288,650	\$ 81,659
Due to officers, employees, directors and non-arm's length investors (2)	\$ 2,896,615	\$ 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 May 31, 2016, the amount due to officers, employees, directors and non-arm's length investors is comprised of the following:

	May 31, 2016	August 31, 2015
Due to officers and directors of the Company	\$ 1,363	\$ 34,151
Due to the President of IRIX	180,899	183,389
Due to Investor 2 of GEC Project 2	840,000	840,000
Due to Investor 3 and third-party investor of GEC Project 3	818,521	789,619
Due to Investors of GEC Project 5	1,978,182	-
Due from GEC LP 4	(922,350)	-
	<u>\$ 2,896,615</u>	<u>\$ 1,847,159</u>

The amount due to Investor 3 and the third-party investor 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 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 May 31, 2016, \$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 nine month period ended May 31, 2016, the Company and its subsidiaries incurred a total of \$505,780 (nine month period ended May 31, 2015 – \$529,265) for management fees and salaries paid to certain directors and officers employed by the Company and its subsidiaries.

**NOTE 13 – SUBSEQUENT EVENTS**

**Stock Options**

A total of 71,050 stock options with an exercise price of \$0.25 per share were exercised subsequent to May 31, 2016.

On June 9, 2016, stock options totalling 150,000 that were to expire on June 30, 2016 were amended to extend the expiry date to April 7, 2017.

**NOTE 13 – SUBSEQUENT EVENTS (cont'd)**

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**Acquisition of ESL School**

On June 30, 2016, the Company entered into an agreement with Vancouver International College (“VIC”) headquartered in Vancouver. Under the agreement, the Company agreed to purchase for \$1,500,000 all the assets including intangible assets and Ministry accreditations and assume certain liabilities of VIC. The new acquisition will be integrated into the Company’s education assets in Canada. The agreement closed on July 8, 2016. The initial accounting for this purchase was not completed at the date of issuance of these statements and therefore is not presented here.

**GEC Project 3 Debt Refinancing**

In June 2016, GEP LP 3 and related companies refinanced its existing debt. The Mortgage of \$30,560,000 (see Note 7) 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 (minimum), 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.

In connection with the Reduced Loan, the Company has entered into a new commitment with another third-party financier to provide for another 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% rate. Certain fees were incurred in conjunction with the financing. A portion of security associated with the original Mortgage will be subordinate to the same security now held by the new financier.

**Advisory Agreement**

In June 2016, the Company signed a financial advisory agreement with a broker to raise an aggregate of \$110 million equity for two limited partnerships being structured by the Company and to be managed by GEC Mgmt. The limited partnerships will be for an Education Super Center and Education Mega Center.

**Assets Held for Sale**

On July 8, 2016, the Company received final regulatory approval for the sale of one part of one of its education subsidiaries to a global education services provider. The Company is in the process of closing the transaction at which time the Company will receive \$1,000,000 held in an escrow account and \$2,000,000 cash from the purchaser.

**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**

	<b>Nine Months Ended May 31, 2016</b>					
	<b>CIBT (China)</b>	<b>SSDC (Canada)</b>	<b>IRIX (Canada)</b>	<b>GEC (Canada)</b>	<b>Corporate (Canada)</b>	<b>Consolidated</b>
Revenues						
Educational	\$ 2,015,768	\$ 19,009,582	\$ -	\$ -	\$ -	\$ 21,025,350
Design and advertising	-	-	615,422	-	-	615,422
Commissions and referral fees	576,376	-	-	-	-	576,376
Development fees	-	-	-	36,792	3,588,016	3,624,808
Rental	-	-	-	1,440,793	-	1,440,793
	<b>\$ 2,592,144</b>	<b>\$ 19,009,582</b>	<b>\$ 615,422</b>	<b>\$ 1,477,585</b>	<b>\$ 3,588,016</b>	<b>\$ 27,282,749</b>
Revenues, net of direct costs	\$ 1,180,466	\$ 10,925,502	\$ 466,558	\$ 793,043	\$ 3,588,016	\$ 16,953,585
Other expenses and items:						
General and administrative	(980,878)	(10,298,384)	(567,799)	(402,418)	(2,731,512)	(14,980,991)
Amortization	(125,854)	(533,373)	(14,980)	(40,282)	(4,407)	(718,896)
Share-based payment expense	-	-	-	-	(751)	(751)
Business development costs	-	-	-	-	-	-
Interest and other income	2,176	-	3,597	293,098	-	298,871
Foreign exchange gain (loss)	(66,656)	-	18,653	-	(373)	(48,376)
Finance costs	-	(33,600)	-	(293,403)	-	(327,003)
Finance fees	-	-	-	(494,414)	-	(494,414)
Income (loss) from investment in associates	-	-	-	2,221,807	-	2,221,807
Gain (loss) on fair value changes in investment properties	-	-	-	7,109,653	-	7,109,653
Gain (loss) on disposal of assets	(8,363)	-	-	-	-	(8,363)
Income tax recovery (provision), net	-	-	-	(2,534)	-	(2,534)
Inter-segment transactions	-	(335,661)	23,608	-	312,053	-
Income (loss) from continuing operations	891	(275,516)	(70,363)	9,184,550	1,163,026	10,002,588
Discontinued operations	-	-	-	-	-	-
Inter-segment transactions - discontinued operations	-	-	-	-	-	-
Net income (loss)	<b>\$ 891</b>	<b>\$ (275,516)</b>	<b>\$ (70,363)</b>	<b>\$ 9,184,550</b>	<b>\$ 1,163,026</b>	<b>\$ 10,002,588</b>

**NOTE 14 – SEGMENTED INFORMATION (cont'd)**

**Industry and Geographic Segments**

	<b>May 31, 2016</b>					
	CIBT (China)	SSDC (Canada)	IRIX (Canada)	GEC (Canada)	Corporate (Canada)	Consolidated
Total assets	\$ 5,357,785	\$ 21,015,530	\$ 187,952	\$ 68,687,849	\$ 5,604,582	\$ 100,853,698
Property and equipment	\$ 190,868	\$ 1,681,030	\$ 64,354	\$ 264,805	\$ 24,971	\$ 2,226,028
Investment properties	\$ -	\$ -	\$ -	\$ 47,000,000	\$ -	\$ 47,000,000
Intangible assets	\$ 728,281	\$ 7,389,985	\$ -	\$ 1,349,511	\$ -	\$ 9,467,777
Goodwill	\$ -	\$ 4,403,303	\$ -	\$ -	\$ -	\$ 4,403,303
Total liabilities	\$ 822,582	\$ 15,078,321	\$ 390,469	\$ 30,350,275	\$ 3,496,281	\$ 50,137,928
Non-controlling interests	\$ 1,363,802	\$ -	\$ (238,047)	\$ 24,535,054	\$ -	\$ 25,660,809
Capital expenditures	\$ 183	\$ 287,600	\$ 1,635	\$ 118,662	\$ -	\$ 408,080

**NOTE 14 – SEGMENTED INFORMATION (cont'd)**

**Industry and Geographic Segments**

**Nine Months Ended May 31, 2015**

	CIBT (China)	SSDC (Canada)	IRIX (Canada)	GEC (Canada)	Corporate (Canada)	Consolidated
Revenues						
Educational	\$ 1,819,204	\$ 18,832,410	\$ -	\$ -	\$ -	\$ 20,651,614
Design and advertising	-	-	850,189	-	-	850,189
Commissions and referral fees	387,774	-	-	-	-	387,774
Development fees	-	-	-	-	1,132,320	1,132,320
Rental	-	-	-	377,864	-	377,864
	<u>\$ 2,206,978</u>	<u>\$ 18,832,410</u>	<u>\$ 850,189</u>	<u>\$ 377,864</u>	<u>\$ 1,132,320</u>	<u>\$ 23,399,761</u>
Revenues, net of direct costs	897,185	11,572,331	606,977	163,786	1,132,320	14,372,599
Other expenses and items:						
General and administrative	(973,414)	(10,233,112)	(595,522)	(77,445)	(2,327,249)	(14,206,742)
Amortization	(137,114)	(544,576)	(18,367)	(8,553)	(5,939)	(714,549)
Share-based payment expense	-	-	-	-	(14,463)	(14,463)
Business development costs	-	-	-	-	(90,000)	(90,000)
Interest and other income	4,020	-	8,212	-	12,260	24,492
Foreign exchange gain (loss)	195,782	-	15,258	-	6,093	217,133
Finance costs	-	(41,149)	-	(566,132)	-	(607,281)
Finance fees	-	-	-	(241,203)	-	(241,203)
Income (loss) from investment in associates	-	-	-	57,582	-	57,582
Gain (loss) on fair value changes in investment properties	-	-	-	3,287,857	-	3,287,857
Gain (loss) on disposal of assets	-	(58,500)	-	-	-	(58,500)
Income tax recovery (provision), net	(3,492)	-	-	-	-	(3,492)
Inter-segment transactions	19,967	(1,507,046)	17,545	-	1,469,534	-
Income (loss) from continuing operations	2,934	(812,052)	34,103	2,615,892	182,556	2,023,433
Discontinued operations	-	-	-	-	-	-
Inter-segment transactions - discontinued operations	-	-	-	-	-	-
Net income (loss)	<u>\$ 2,934</u>	<u>\$ (812,052)</u>	<u>\$ 34,103</u>	<u>\$ 2,615,892</u>	<u>\$ 182,556</u>	<u>\$ 2,023,433</u>

**NOTE 14 – SEGMENTED INFORMATION (cont'd)**

**Industry and Geographic Segments**

	<b>May 31, 2015</b>					
	CIBT (China)	SSDC (Canada)	IRIX (Canada)	GEC (Canada)	Corporate (Canada)	Consolidated
Total assets	\$ 5,744,496	\$ 20,619,136	\$ 363,431	\$ 43,001,251	\$ 3,938,116	\$ 73,666,430
Property and equipment	\$ 324,609	\$ 2,032,397	\$ 78,124	\$ 125,372	\$ 31,215	\$ 2,591,717
Investment properties	\$ -	\$ -	\$ -	\$ 32,679,037	\$ -	\$ 32,679,037
Intangible assets	\$ 782,173	\$ 7,722,825	\$ -	\$ -	\$ -	\$ 8,504,998
Goodwill	\$ -	\$ 5,079,437	\$ -	\$ -	\$ -	\$ 5,079,437
Total liabilities	\$ 975,626	\$ 13,984,831	\$ 467,626	\$ 26,730,991	\$ 1,409,650	\$ 43,568,724
Non-controlling interests	\$ 1,177,240	\$ -	\$ (191,865)	\$ 10,754,723	\$ -	\$ 11,740,098
Capital expenditures	\$ 33,410	\$ 366,313	\$ 2,915	\$ 133,925	\$ -	\$ 536,563

**--- END OF FINANCIAL STATEMENTS ---**