CIBT EDUCATION GROUP INC.

CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2016

EXPRESSED IN CANADIAN DOLLARS

INDEPENDENT AUDITOR'S REPORT

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Independent Auditor's Report

To the Shareholders of CIBT Education Group Inc.

We have audited the accompanying consolidated financial statements of CIBT Education Group Inc., which comprise the consolidated statements of financial position as at August 31, 2016 and 2015, the consolidated statements of comprehensive income, changes in equity, and cash flows for the years ended August 31, 2016 and 2015, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of CIBT Education Group Inc. as at August 31, 2016 and 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

(signed) "BDO Canada LLP"

Chartered Professional Accountants
Vancouver, Canada
November 30, 2016

CIBT EDUCATION GROUP INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
EXPRESSED IN CANADIAN DOLLARS

		August 31, 2016		August 31, 2015
ASSETS				
CURRENT				
Cash and cash equivalents	$	4,341,970	$	2,286,631
Restricted cash		148,001		227,564
Accounts receivable (Note 3)		6,795,474		7,975,499
Prepaid expenses		695,716		714,763
Inventory		363,293		441,150
TOTAL CURRENT ASSETS		12,344,454		11,645,607
CASH HELD IN TRUST		-		660,010
DUE FROM RELATED PARTIES (Note 27)		2,329,947		735,000
DEPOSIT RESERVE (Note 15)		897,613		500,000
PROPERTY AND EQUIPMENT (Note 9)		2,103,147		2,518,789
INVESTMENT PROPERTIES (Note 5)		49,900,000		38,100,000
DEFERRED COSTS (Note 4)		1,522,116		10,306
REFUNDABLE DEPOSITS (Note 4)		15,800,000		10,875,000
INVESTMENT IN ASSOCIATES (Note 6)		1,453,445		240,440
INTANGIBLE ASSETS (Note 10)		8,182,067		8,472,376
GOODWILL (Note 11)		5,721,907		4,793,303
DEFERRED INCOME TAX ASSETS (Note 21)		2,091,845		2,115,926
TOTAL ASSETS	$	102,346,541	$	80,666,757
LIABILITIES				
CURRENT				
Accounts payable and accrued liabilities (Note 13)	$	3,000,520	$	4,726,161
Due to GEC LP 1 (Note 4)		-		2,160,010
Income taxes payable		114,836		176,259
Deferred educational revenue		11,548,744		10,319,570
Current portion of finance lease obligations (Note 16)		164,795		208,094
Current portion of borrowings (Note 15)		493,638		23,675,080
Due to related parties and investment partners (Note 27)		1,016,825		1,847,159
TOTAL CURRENT LIABILITIES		16,339,358		43,112,333
FINANCE LEASE OBLIGATIONS (Note 16)		324,009		457,416
BORROWINGS (Note 15)		28,344,426		-
DEFERRED INCOME TAX LIABILITIES (Note 21)		2,399,401		972,246
TOTAL LIABILITIES		47,407,194		44,541,995
EQUITY				
SHARE CAPITAL (Note 17)		49,024,991		49,115,490
RESERVES		5,669,832		5,884,084
DEFICIT		(30,868,897)		(34,774,861)
ACCUMULATED OTHER COMPREHENSIVE INCOME		237,890		381,698
EQUITY ATTRIBUTABLE TO CIBT EDUCATION GROUP INC. SHAREHOLDERS		24,063,816		20,606,411
NON-CONTROLLING INTERESTS (Note 19)		30,875,531		15,518,351
TOTAL EQUITY		54,939,347		36,124,762
TOTAL LIABILITIES AND EQUITY	$	102,346,541	$	80,666,757

COMMITMENTS & CONTINGENCIES (Note 22)

SUBSEQUENT EVENTS (Note 28)

Approved on behalf of the Board:

"Toby Chu"
Toby Chu, Chief Executive Officer & Director

"Troy Rice"
Troy Rice, Director

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

CIBT EDUCATION GROUP INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
EXPRESSED IN CANADIAN DOLLARS

	Year Ended August 31, 2016	Year Ended August 31, 2015
REVENUES		
Educational	$ 27,629,310	$ 27,248,686
Design and advertising	775,266	1,082,119
Commissions and referral fees	1,036,372	619,077
Development fees	1,713,737	2,582,023
Rental	4,959,459	647,046
	36,114,144	32,178,951
DIRECT COSTS		
Educational	12,100,972	11,006,541
Design and advertising	161,204	309,689
Commissions and referral fees	679,513	250,400
Rental	3,844,123	479,257
	16,785,812	12,045,887
OTHER EXPENSES		
General and administrative (Note 25)	19,828,886	19,335,528
Amortization of property, equipment and intangible assets (excluding agency fees)	870,376	979,534
Share-based payment expense	26,758	15,909
Business development costs	-	90,000
	20,726,020	20,420,971
INCOME (LOSS) BEFORE OTHER ITEMS	(1,397,688)	(287,907)
INTEREST AND OTHER INCOME	645,861	38,972
FOREIGN EXCHANGE GAIN (LOSS)	39,345	227,728
FINANCE COSTS	(782,257)	(137,288)
FINANCE FEES (Note 15)	(611,914)	(418,818)
INCOME (LOSS) FROM INVESTMENT IN ASSOCIATES	(820,662)	(9,360)
GAIN ON FAIR VALUE CHANGES IN INVESTMENT PROPERTIES (Note 5)	9,779,146	7,615,175
GAIN ON DISPOSAL OF EDUCATION SUBSIDIARY (Note 7)	3,827,120	-
LOSS ON DISPOSAL OF ASSETS	(8,363)	(65,332)
INCOME BEFORE INCOME TAXES	10,670,588	6,963,170
INCOME TAXES (Note 21)		
Current income tax expense	3,938	3,552
Deferred income tax expense	1,451,236	958,844
	1,455,174	962,396
NET INCOME	$ 9,215,414	$ 6,000,774
ATTRIBUTABLE TO:		
CIBT Education Group Inc. shareholders	$ 3,905,964	$ 1,040,020
Non-controlling interests	5,309,450	4,960,754
NET INCOME	$ 9,215,414	$ 6,000,774
BASIC AND DILUTED INCOME PER COMMON SHARE	$ 0.06	$ 0.02
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING (Note 17)		
Basic	68,437,178	64,670,908
Diluted	69,344,975	64,840,015

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

CIBT EDUCATION GROUP INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
EXPRESSED IN CANADIAN DOLLARS

		Year Ended August 31, 2016		Year Ended August 31, 2015
NET INCOME	$	9,215,414	$	6,000,774
OTHER COMPREHENSIVE INCOME:				
Exchange differences on translating foreign operations		(150,787)		389,202
COMPREHENSIVE INCOME	$	9,064,627	$	6,389,976
ATTRIBUTABLE TO:				
CIBT Education Group Inc. shareholders	$	3,762,156	$	1,263,471
Non-controlling interests		5,302,471		5,126,505
	$	9,064,627	$	6,389,976

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

CIBT EDUCATION GROUP INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
EXPRESSED IN CANADIAN DOLLARS

	Share Capital		Reserves				Accumulated Other				
	Number of Common Shares	Dollar Amount	Warrants	Share-Based Payments	Ownership Changes	Treasury Shares	Comprehensive Income (Loss)	Deficit	Total Shareholders' Equity	Non-Controlling Interests	Total Equity
Balance, August 31, 2014	66,456,853	$ 48,836,693	$ 2,247,463	$ 3,517,397	$ -	$ (550,796)	$ 158,247	$ (35,814,881)	$ 18,394,123	$ 5,156,637	$ 23,550,760
Unrealized translation adjustments	-	-	-	-	-	-	223,451	-	223,451	165,751	389,202
Net income for the period	-	-	-	-	-	-	-	1,040,020	1,040,020	4,960,754	6,000,774
					-		223,451	1,040,020	1,263,471	5,126,505	6,389,976
Share-based payments	-	-	-	15,909	-	-	-	-	15,909	-	15,909
Payments to non-controlling interests	-	-	-	-	-	-	-	-	-	(365,633)	(365,633)
Non-controlling interests contributions	-	-	-	-	-	-	-	-	-	5,937,712	5,937,712
Changes in ownership interests - SSDC	-	-	-	-	(286,134)	-	-	-	(286,134)	-	(286,134)
Changes in ownership interests - GECLP1	-	-	-	-	27,578	-	-	-	27,578	-	27,578
Changes in ownership interests - GECLP2	-	-	-	-	36,870	-	-	-	36,870	(36,870)	-
Changes in ownership interests - GECLP3	-	-	-	-	300,000	-	-	-	300,000	(300,000)	-
Purchase of treasury shares	-	-	-	-	-	(283,358)	-	-	(283,358)	-	(283,358)
Treasury share cancellations	(2,523,100)	(814,956)	-	-	-	814,956	-	-	-	-	-
Shares issued - private placement	4,897,000	1,224,250	-	-	-	-	-	-	1,224,250	-	1,224,250
Shares issuance costs - cash	-	(86,298)	-	-	-	-	-	-	(86,298)	-	(86,298)
Shares issuance costs - broker warrants	-	(44,199)	44,199	-	-	-	-	-	-	-	-
Balance, August 31, 2015	68,830,753	$ 49,115,490	$ 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	-	-	-	-	-	-	(143,808)	-	(143,808)	(6,979)	(150,787)
Net income (loss) for the period	-	-	-	-	-	-	-	3,905,964	3,905,964	5,309,450	9,215,414
							(143,808)	3,905,964	3,762,156	5,302,471	9,064,627
Share-based payments	-	-	-	26,758	-	-	-	-	26,758	-	26,758
Payments to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-
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

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

CIBT EDUCATION GROUP INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
EXPRESSED IN CANADIAN DOLLARS

	Year Ended August 31, 2016	Year Ended August 31, 2015
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Net income (loss)	$ 9,215,414	$ 6,000,774
Adjusted for items not involving cash:		
- amortization of property, equipment and intangible assets (including agency fees)	1,386,170	1,382,852
- share-based payment expense	26,758	15,909
- (gain) loss on disposal of assets	(3,818,757)	65,332
- loss from investment in associates	883,279	9,360
- gain on fair value changes in investment properties	(9,779,146)	(7,615,175)
- finance fees	550,664	418,818
- development fees	(242,418)	(85,390)
- deferred income tax expenses	1,451,236	958,844
	(326,800)	1,151,324
Net changes in non-cash working capital items (Note 26)	441,927	2,096,587
NET CASH FROM (USED IN) OPERATING ACTIVITIES	115,127	3,247,911
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Purchases of property and equipment	(458,527)	(683,625)
Investment property	(925,265)	(289,042)
Restricted cash	79,563	(30,114)
Equity investments	(18,827)	-
Deposits on real estate properties	(6,725,000)	(2,800,000)
Acquisition of intangible assets	(777,113)	(515,794)
Disposition of education subsidiary	3,708,162	-
Deconsolidation of subsidiary unit	(32,509)	-
Disposal (acquisition) of investment and business assets	(1,179,732)	(29,262,143)
Deferred costs	(1,522,116)	-
NET CASH FROM (USED IN) INVESTING ACTIVITIES	(7,851,364)	(33,580,718)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		
Proceeds from issuance of shares	84,413	1,137,952
Treasury share transactions	(351,474)	(283,358)
Advances from related parties	(2,848,753)	1,441,003
Non-controlling interest draws and buyout	-	(485,100)
Non-controlling interest capital contributions	10,374,400	6,033,200
Finance lease obligation	(219,526)	(166,412)
Borrowing repayments	(14,585,142)	(450,000)
Borrowing advances	19,914,554	22,756,262
Capitalized borrowing costs	(1,897,308)	-
Deferred costs	(706,786)	43,177
NET CASH FROM (USED IN) FINANCING ACTIVITIES	9,764,378	30,026,724
NET INCREASE (DECREASE) IN CASH	2,028,141	(306,083)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH	27,198	(113,515)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	2,286,631	2,706,229
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 4,341,970	$ 2,286,631
CASH AND CASH EQUIVALENTS:		
Cash in bank	$ 4,341,970	$ 2,286,631
Term deposits	-	-
	$ 4,341,970	$ 2,286,631
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest paid	$ 2,705,569	$ 65,896
Income taxes paid	$ 1,368	$ 18,080

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

NOTE 1 – 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 (refer to Note 8). 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 – SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation and statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board, and include the significant accounting policies as described in Note 2. The policies set out below are consistently applied to all the periods presented unless otherwise noted below. These financial statements were prepared on a going-concern basis, under the historical cost convention except for investment property classified as at fair value through profit or loss. The financial statements were approved by the Company's Board of Directors and authorized for issue on November 30, 2016.

Principles of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries as at August 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 – SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Significant accounting judgements and key sources of estimate uncertainty

In the preparation of the consolidated financial statements and the application of the Company's accounting policies, management is required to make judgements, estimates and assumptions that affect the carrying amounts of assets and liabilities and disclosure of contingent liabilities at the dates of the consolidated financial statements and the reported amounts of revenues and expenses during each reporting period. The estimates and associated assumptions are limited by the relevance of historical data and uncertainty of future events. Actual results could differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Significant accounting judgements

The following are the significant judgements, apart from those involving estimates, that management made in the process of applying the Company's key accounting policies and have the most significant effect on the amounts recognized in the consolidated financial statements.

Determination of discontinued operations

Management considers the significance of the line of business to the Company in deciding whether to present operations that have been abandoned or sold as discontinued operations in the statement of loss. Acsenda School of Management was not determined to be a significant line of business and thus has not been presented as a discontinued operation.

Recognition of deferred income tax assets

The decision to recognise a deferred tax asset is based on management's judgement of whether it is considered probable that future taxable profits will be available against which unused tax losses, tax credits or deductible temporary differences can be utilized.

Assessment of indefinite life intangibles

The Company holds three types of indefinite life intangible assets: Accreditations and registrations, brand-names and trade-names, and Chinese university agreements. Management reassess at each annual reporting period whether there have been any changes in the current market place or regulatory environment that would impact the conclusion that these are indefinite life intangibles. Management continues to conclude that there is no definite end to the cash flows to be generated from accreditations and registrations and brand-names and trade-names as at August 31, 2016.

Chinese university agreements are partnership contracts held through the Company's Chinese operations and have a contractual life of between 15 and 20 years with renewal clauses. Management individually reviews and assesses each university contract for appropriateness of classification as an indefinite lived intangible. Management's history with each of these individual contracts is that they will be automatically renewed for a subsequent period after the initial contractual life and as a result, in management's judgment, represent indefinite life intangible assets.

Determination of control of subsidiaries and joint arrangements

Judgement is required to determine when the Company has control of subsidiaries or joint control of joint arrangements. This requires an assessment of the relevant activities of the investee, being those activities that significantly affect the investee's returns, including operating and capital expenditure decision-making, financing of the investee, and the appointment, remuneration and termination of key management personnel; and when the decisions in relation to those activities are under the control of the Company or require unanimous consent from the investors. Judgement is also required when determining the classification of a joint arrangement as a joint venture or a joint operation through an evaluation of the rights and obligations arising from the arrangement. Changes to the Company's access to those rights and obligations may change the classification of that joint arrangement.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Significant accounting judgements (cont'd)

Determination of control of subsidiaries and joint arrangements (cont'd)

Management has determined that in some cases it controls and in some cases it has significant influence over the Limited Partnerships which have been formed to hold the GEC operations of the business. The Company has determined that notwithstanding the fact that the Company holds less than the majority of voting units in a certain limited partnership that they do have control as they will direct the business of the partnership and no one investee can effect a change in this control. Furthermore, the Company has determined for certain other interests in limited partnerships that while they do not hold a 20% interest in the investee, that the ability to direct the business of the partnership supports the basis for significant influence. These assessments impact the presentation of the operations of the limited partnerships in the Company's consolidated results. The Company concluded that commencing March 2016 a previously consolidated subsidiary met the definition of a joint operation and was accounted on a proportionate basis thereafter.

Determination of Investment Property

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

Key sources of estimate uncertainty

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future periods affected. Information about significant areas of estimation uncertainty in applying accounting policies that have the most significant effect on the amounts included in the financial statements included, but were not limited to, the following:

Allowance for doubtful accounts

The Company provides for bad debt by setting aside a percentage of sales towards the allowance account based on historical default experience. Uncertainty relates to the actual collectivity of customer balances that can vary from the Company's estimation.

Valuation of financial instruments

When the fair value of financial assets and financial liabilities recorded in the consolidated balance sheets cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of liquidity and model inputs such as volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Useful lives of property and equipment and definite life intangible assets

The Company estimates useful life, residual value and depreciation methods based on industry norms, historical experience, market conditions and future cash flows. It is possible that future results could be materially affected by changes in the above factors. The Company reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utilization of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utilization of certain assets.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Key sources of estimate uncertainty (cont'd)

Impairment of indefinite life intangible assets and goodwill

Indefinite life intangible assets and goodwill are reviewed for impairment annually or more frequently if changes in circumstances indicate that the carrying value may be impaired. Impairment of an asset occurs when its carrying value exceeds its recoverable amount, which is the higher of its fair value less cost of disposal and value in use. This calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The calculation is based on a discounted cash flow model, which incorporates the Company's budget and business plan. The recoverable amount is most sensitive to the discount rate used in the discounted cash flow model as well as the expected future cash flows and the growth rate used for extrapolation purposes. To arrive at cash flow projections the Company uses estimates of economic and market information over the projection period, including growth rates in revenues, estimates of future expected changes in operating margins, and cash expenditures. Other significant estimates and assumptions include future estimates of capital expenditures and changes in future working capital requirements.

Valuation of Investment Property

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

Assessment of fair value of assets acquired in a business combination

Judgment is required to determine whether the Company acquired a business under the definition of IFRS 3, *Business combinations* ("IFRS 3"), and also the acquisition date the Company obtained control over the business, which was the date that consideration is transferred and when we assumed the assets and liabilities. Business combinations are accounted for using the acquisition method whereby identifiable assets acquired and liabilities assumed, including contingent liabilities, are recorded at their fair values at the date of acquisition.

Cash and cash equivalents

The Company considers only those investments that are highly liquid, readily convertible to cash with original maturities of three months or less at date of purchase as cash equivalents.

Restricted cash

Restricted cash represents Canadian dollar deposits in bank as collateral for the credit cards used in business operations, and Chinese RMB deposits at governmental accounts as security to conduct business in China.

Inventory

Inventories, which are comprised primarily of textbooks and other education materials, are valued at the lower of cost and net realizable value, with cost being determined on a weighted average basis. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Property and equipment

Property and equipment are carried at cost less accumulated depreciation and accumulated impairment losses. The initial cost of an asset comprises its purchase price and any costs directly attributable to bringing the asset into working condition for its intended purpose. Amortization is provided over the estimated useful lives of assets as follows. Land is not depreciated.

- Building – straight line over fifty years;
- Leasehold improvements – straight-line over the lesser of five years and remaining lease term;
- Furniture and equipment – 20% to 30% declining balance or straight line.

Estimates of residual values and useful lives are reassessed annually and any change in estimate is taken into account in the determination of remaining depreciation charges. Depreciation commences on the date the asset is available for use and capable of operating in the manner intended by management.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of operations in the period in which the item is derecognized.

Investment properties

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

Foreign currency

Functional currency is the currency of the primary economic environment in which an entity operates. These consolidated financial statements are presented in Canadian dollars.

In preparing the financial statements of each individual subsidiary, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the dates those fair values are determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences on monetary items are recognized in profit or loss in the period in which they arise.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Company's foreign operations are translated into Canadian dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Leases

Leases in which the Company assumes substantially all risks and rewards of ownership are classified as finance leases. Assets held under finance leases are recognized at the lower of the fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of lease expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Intangible assets

The Company's finite life and indefinite life intangible assets are recorded at their cost which, for intangible assets acquired in business combinations, represents the acquisition date fair value.

Indefinite life intangible assets include accreditations and registrations, brand and trade names, and Chinese university partnership contracts. The Company considers such assets to represent an ongoing benefit to the Company through an indefinite period of control of such assets and expected usage. Such intangible assets are not subject to amortization and are tested for impairment annually or where an indication of impairment exists as described under "Impairment of intangible assets and property and equipment" below.

Finite life intangible assets, which include agreements and contracts, curriculum, foreign cooperative agreements, and agency fees, are carried at cost less accumulated amortization and impairment losses. The Company capitalizes direct costs incurred in developing programs and curriculums for new courses as intangible assets with finite life. These costs are amortized to direct educational cost on a straight-line basis over the expected life of the course (ranging from 3 months to 48 months) upon commencement of the new courses. Costs relating to the ongoing development and maintenance of existing courses are expensed as incurred. For language programs in SSDC, the Company engages a network of agents in foreign countries, who recruit and/or provide ongoing services to international students to attend the Company's programs in Canada. Agency fees attributable to each student, are deferred as intangible assets and recognized proportionately over the instruction period for the student to match with the tuition fee revenues which are within a year.

Amortization is calculated over periods ranging from less than 1 year to 15 years on a straight-line basis, being their estimated useful lives. The expected useful lives of assets are reviewed on an annual basis and, if necessary, changes in useful lives are accounted for prospectively. Finite life intangible assets are tested for impairment whenever events or changes in circumstances indicate the carry value may not be recoverable as described under "Impairment of intangible assets and property and equipment" below.

Investments in associates

Associates are those entities over which the Company is able to exert significant influence but which it does not control and which are not interests in a joint venture. Control is reassessed on an ongoing basis. Investments in associates are initially recognized at cost and subsequently accounted for using the equity method. Acquired investments in associates are also subject to the acquisition method as explained above. However, any goodwill or fair value adjustment attributable to the Company's share in the associate is included in the amount recognized as investments in associates.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Investments in associates (cont'd)

All subsequent changes to the Company's share of interest in the equity of the associate are recognized in the carrying amount of the investment. These changes include subsequent depreciation, amortization or impairment of the fair value adjustments of assets and liabilities. Changes resulting from earnings of the associate or items recognized directly in the associate's equity are recognized in earnings or equity of the Company, as applicable. However, when the Company's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured receivables, the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports earnings, the Company resumes recognizing its share of those earnings only after its share of the earnings exceeds the accumulated share of losses that had previously not been recognized. When changes in ownership interests are disproportionate to cumulative contributions, distributions and income (loss) allocations, the carrying value of the Company's interest in the equity of the associate is adjusted through a direct charge to equity.

Unrealized gains and losses on transactions between the Company and its associates are eliminated to the extent of the Company's interest in those entities. Where unrealized losses are eliminated, the underlying asset is also tested for impairment losses from a Company perspective. At each reporting period end date, the Company assesses whether there are any indicators of impairment in its investment in associates. For entities which are not publicly traded, value-in-use of the investment is determined by estimating the Company's share of the present value of the estimated cash flow's expected to be generated by the investee. If impaired, the carrying value of the Company's investment is written down to its estimated recoverable amount, being the higher of fair value less cost of disposal and value-in-use.

In the process of measuring future cash flows, management makes assumptions about future growth of profits. These assumptions relate to future events and circumstances. The actual results may vary and may cause significant adjustments to the Company's investments in associates in the subsequent financial years.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the Company, liabilities incurred by the Company to the former owners of the acquiree and the equity interests issued by the Company in exchange for control of the acquiree. Certain acquisition related costs are recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with IAS 12, *Income Taxes* and IAS 19, *Employee Benefits*, respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Company entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2, *Share-Based Payment*, at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5, *Non-Current Assets Held for Sale and Discontinued Operations*, are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Business combinations (cont'd)

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Company in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period (which is limited to one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is re-measured at subsequent reporting dates in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*, or IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

When a business combination is achieved in stages, the Company's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date (the date when the Company obtains control) and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

Joint operations

A joint arrangement is an arrangement of which two or more parties have joint control. The Company determines the type of joint arrangement in which it is involved either was a joint operation or a joint venture and this depends upon the rights and obligations of the parties to the joint arrangement. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement on a proportionate basis. Those parties are called joint operators. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. None of the parties involved have unilateral control of a joint venture. The Company accounts for its interests joint operations by recognising its share of assets, liabilities, revenues and expenses in accordance with its contractually conferred rights and obligations.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Company's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata based on the carrying amount of each asset in the cash generating unit. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognized for goodwill is not reversed in subsequent periods. Management evaluates goodwill for impairment annually as of August 31st.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Impairment of intangible assets and property and equipment

The carrying amount of property and equipment and intangible assets with a finite life are reviewed each reporting period to determine whether events or changes in circumstances indicate that their carrying amounts may not be recoverable. Intangible assets with an infinite life are reviewed and tested on an annual basis or whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units). The recoverable amount is the higher of an asset's fair value less costs of disposal or its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where appropriate, the future cash flow estimates are adjusted to reflect risks specific to the liability.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money. Where discounting is used, the increase in the provision due to the passage of time is recognized within financing costs.

Contingent liabilities are possible obligations whose existence will only be confirmed by future events not wholly within the control of the Company. Contingent liabilities are not recognized in the financial statements, but are disclosed unless the possibility of an outflow of economic resources is considered remote.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Borrowing costs

Borrowing costs directly attributable to the acquisition and redevelopment of Investment Properties are added to the costs of the related Investment Properties until such time as the redevelopment of the Investment properties is substantially completed. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Treasury shares

The Company from time to time acquires its own common shares into treasury. The carrying amount of these reacquired shares is recorded as a separate component of shareholders' equity. If any of these shares are resold, the resulting gains are recorded as reserves in equity and resulting losses are applied first against prior reserves, if any, and secondly to retained earnings (deficit). When treasury shares are cancelled, the cost of the shares is charged first to the prior reserve gains, if any, and secondly to retained earnings (deficit).

Revenue recognition

The Company recognizes revenue when the amount of revenue can be reliably measured, if it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Company's activities as described below. Revenue is measured at the fair value of the consideration received or receivable. The primary sources of the Company's revenues are as follows:

(a) Educational programs and services
The educational programs and services consist of tuition fee (net of discounts) on course offerings by CIBT and SSDC. Tuition is paid in advance and is initially recorded as deferred revenue. Tuition revenue for educational programs and services is recognized proportionately as the instructions are delivered, and is reported net of scholarships, business taxes and related surcharges, and tuition refunds. Students are entitled to a short term course trial period which commences on the date the course begins. Partial tuition refunds are provided to students if they decide within the trial period that they no longer want to take the course. After the trial period, if a student withdraws from a class, no refunds will be provided and any collected but unearned portion of the fee is recognized at that time.

(b) Revenue sharing arrangement with education service providers
One of the Company's subsidiaries, CIBT, has entered into numerous educational delivery agreements with various educational service providers whereby a portion of the tuition fees, net of discounts, are paid to these educational service providers for the provision of facilities and/or teaching staff. For the majority of these revenue sharing arrangements, CIBT is considered the primary obligor and accordingly records the tuition fee revenues on a gross basis and the portion paid to the educational service providers is included in direct educational costs.

(c) Design and advertising
IRIX recognizes revenue for services provided using the percentage-of-completion method when the contract revenues, contract costs to complete and the stage of contract completion at the end of the reporting period can be measured reliably and when the contract costs can be identified and measured reliably so that actual contract costs incurred can be compared with prior estimates, and the economic benefits associated with the transaction will flow to IRIX.

(d) Commissions and referral fees
CIBT has agreements with various private schools in North America to recruit students from overseas (primarily in China) for the primary and secondary private school sector in North America. CIBT is paid commissions and referral fees by the private schools for recruiting students that are accepted into and start the school's programs in North America. Commissions and referral fees are paid to CIBT only when the student can no longer obtain a refund on tuition fees paid to the private school. Commissions and referral fees are recognized as revenue by CIBT when the services to recruit students have been provided and when there is substantial certainty that the recruited students will attend the private school.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Revenue recognition (cont'd)

(e) Development fees
The Company earns fees in connection with certain real estate development activities. The services provided by the Company include, but are not limited to, land identification and acquisition, preparation of financial models, market analysis, development of investment structure, and engagement of construction consultants. Revenue is generally considered earned in the period that the Project agreements are executed.

(f) Rental revenues
Rental revenues include rents from commercial tenants and variable term residential accommodations. Rents from commercial tenants include rents from operating leases and certain operating cost recoveries and are recognized on a straight-line basis over the term of the leases. Rents from commercial and residential tenants are recognized when it is probably that the economic benefits will flow to the Company, the services can be measured reliably and if collectability reasonably assured.

Share-based payments

The Company grants stock options to certain directors and employees to acquire shares in the common stock of the Company in accordance with the terms of the Company's stock option plan. The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in equity. The fair value is measured for each tranche at grant date and is recognized on a graded-vesting basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted and management's estimate of forfeitures and expected volatility based on historical volatility. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that vest.

Income taxes

Income tax expense represents current tax and deferred tax. The Company records current tax based on the taxable profits for the period which is calculated using tax rates that have been enacted or substantively enacted by the reporting date. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible.

Deferred income taxes are accounted for using the liability method. Under this method, deferred tax assets and liabilities are determined based on temporary differences between the financial reporting and tax basis of assets and liabilities, and measured using the substantively enacted tax rates and laws in effect when the differences are expected to reverse. The effect of a change in tax rates or tax legislation is recognized in the period of substantive enactment. Deferred tax assets, such as unused tax losses, income tax reductions, and certain items that have a tax basis but cannot be identified with an asset or liability on the statement of financial position, are recognized to the extent it is probable that taxable profit will be available against which the asset can be utilized.

Earnings per share

Basic earnings per share figures have been calculated by dividing net income (loss) by the weighted monthly average number of shares outstanding during the respective periods. The Company follows the treasury stock method for determining diluted earnings per share. This method assumes that proceeds received from in-the-money stock options and share purchase warrants are used to repurchase common shares at the average prevailing market rate during the reporting period. Anti-dilutive stock options and share purchase warrants are not considered in computing diluted earnings per share. The treasury shares are excluded from the calculation of earnings per share.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

Financial instruments

Measurement - initial recognition

On initial recognition, all financial assets and liabilities are recorded at fair value, net of attributable transaction costs, except for financial assets and liabilities classified as at fair value through profit or loss ("FVTPL"). The directly attributable transaction costs of financial assets and liabilities classified as at FVTPL are expensed in the period in which they are incurred.

Classification and measurement - subsequent to initial recognition

Subsequent measurement of financial assets and liabilities depends on the classifications of such assets and liabilities as follows:

Financial assets classified as at FVTPL are measured at fair value with changes in fair values recognized in net earnings. They are classified as such when: (i) they are acquired or incurred principally for short-term profit taking and/or meet the definition of a derivative; or (ii) they meet the criteria for being designated as FVTPL and have been designated as such on initial recognition.

A financial asset is classified as available-for-sale when: (i) it is not classified as a loan and receivable or as at FVTPL; or (ii) it is designated as available-for-sale on initial recognition. The Company does not have any financial assets classified as available for sale. Changes in fair value that remain unrealized for available-for-sale financial instruments are recorded in other comprehensive income until realized or determined to be impaired at which time the gain, loss or impairment is recognized in net income (loss) for the period.

Financial assets classified as loans and receivables and other financial liabilities are measured at amortized cost using the effective interest method. The effective interest method calculates the amortized cost of a financial asset or financial liability and allocates the effective interest income or interest expense over the term of the financial asset or liability, respectively. The interest rate is the rate that exactly discounts estimated future cash receipts or payments throughout the term of the financial instrument to the net carrying amount.

Impairment

The Company assesses at the end of each reporting period whether there is objective evidence that financial assets are impaired. A financial asset is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset that has a negative impact on the estimated future cash flows of the financial asset that can be reliably measured.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont'd)

New accounting standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Company's consolidated financial statements are listed below. This listing is of standards and interpretations issued that the Company reasonably expects to be applicable to the Company at a future date. The Company intends to adopt these standards when they become effective. The Company has not early adopted any other amendment, standard or interpretation that has been issued by the IASB but is not yet effective. The Company is in the process of determining the extent of the impact of these changes on its consolidated financial statements.

Revenue recognition

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15"). This standard establishes a five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. IFRS 15 replaces the previous revenue standards: IAS 18, Revenue and IAS 11, Construction Contracts, and the related interpretations on revenue recognition: IFRIC 13, Customer Loyalty Programs, IFRIC 25, Agreements for the Construction of Real Estate, IFRIC 18, Transfers of Assets from Customers and SIC 31 Revenue – Barter Transactions Involving Advertising Services. This standard is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted.

Financial Instruments

In the annual period beginning September 1, 2018, the Company will be required to adopt IFRS 9, *Financial Instruments*, which is the result of the IASB's project to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value.

Intangible assets

In May 2014, the IASB issued amendments to IAS 38, *Intangible Assets* ("IAS 38"). The amendments in IAS 38 introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. This presumption could be overcome only when revenue and consumption of the economic benefits of the intangible asset are highly correlated or when the intangible asset is expressed as a measure of revenue. The Company intends to adopt the amendments to IAS 38 in its consolidated financial statements for the annual period beginning on September 1, 2016.

Leases

In January 2016, the IASB issued IFRS 16, *Leases* ("IFRS 16"). This standard introduces a single accounting model for lessees and for all leases with a term of more than 12 months, unless the underlying is of low value. The lessee will be required to recognize a right-of-use asset, representing its right to use the underlying asset, and a corresponding lease liability representing its obligation to make the lease payments. This standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted but only if IFRS 15 is adopted concurrently.

Statement of Cash Flows

In January 2016, the IASB issued amendments to IAS 7, *Statement of Cash Flows*. The amendments are effective for annual periods beginning on or after January 1, 2017 with earlier application permitted. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Share-based Payment

In June 2016, the IASB issued amendments to IFRS 2, clarifying how to account for certain types of share-based payment transactions. The amendments are effective for annual periods beginning on or after January 1, 2018 with earlier application permitted.

EXPRESSED IN CANADIAN DOLLARS

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont'd)

New accounting standards issued but not yet effective (cont'd)

Annual improvements

In December 2013, the IASB issued the Annual Improvements 2010-2012 and 2011-2013 cycles, effective for annual periods beginning on or after July 1, 2014. In September 2014, the IASB issued Annual Improvements 2012-2014 cycle, effective for annual periods beginning on or after January 1, 2016. These Annual Improvements made necessary but non-urgent amendments to existing IFRSs. These amendments did not have a significant impact on the Company's consolidated financial statements.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at August 31, 2016 and August 31, 2015:

	August 31, 2016	August 31, 2015
Trade receivables	$ 7,201,207	$ 8,295,366
Less: allowance for bad debts	(405,733)	(319,867)
	$ 6,795,474	$ 7,975,499

Aging of past due but not impaired	August 31, 2016	August 31, 2015
30 to 60 days	$ 86,250	$ 108,805
60 to 90 days	67,668	72,805
	$ 153,918	$ 181,610

Movement in the allowance for doubtful accounts	August 31, 2016	August 31, 2015
Beginning balance	$ 319,867	$ 359,246
Additions	261,763	277,076
Amounts written off during the year as uncollectible	(127,723)	(246,222)
Amounts recovered during the year	(48,174)	(70,233)
Ending balance	$ 405,733	$ 319,867

NOTE 4 – 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.").

NOTE 4 – REAL ESTATE DEVELOPMENT (cont'd)

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 are 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.

The Company entered into a Fee Agreement with an investor to compensate the Company for services. At August 31, 2015, the Company had recognized $222,222 of this amount. During 2016, an additional amount of $242,418 was recognized associated with this fee representing total contributions made by the investor on behalf of GEC Holdings for units in GEC LP 1 as payment for these services.

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 6(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 August 31, 2016, refundable deposits of $4,300,000 (August 31, 2015 – $1,500,000) 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.

On March 16, 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 August 31, 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 August 31, 2016, and for the periods since formation, GEC LP 1A had limited operations.

NOTE 4 – REAL ESTATE DEVELOPMENT (cont'd)

The First Project (the "GEC Project 1") (cont'd)

In connection with the GEC LP1 A agreement, 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 year ended August 31, 2016, the Company recognized $1,500,000, inclusive of GST, of development fee revenues (August 31, 2015 - $Nil).

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 August 31, 2016, refundable deposits of $8,500,000 (August 31, 2015 – $7,500,000) 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 August 31, 2016 and 2015, 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. As of August 31, 2016 and 2015 and for the periods then ended, GEC LP 2 had no operations or cash flows from operations.

GEC Holdings has committed to contribute total of $4,455,000 for its partnership units. At August 31, 2016, GEC Holdings had made capital contributions of $2,550,000 (August 31, 2015 – $2,250,000) into GEC LP 2 and holds 42.81% (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 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 August 31, 2016, and for the periods since formation, GEC LP 2 had limited operations.

In connection with the GEC Project 2, the Company entered into a Fee Agreement in the amount of $1,485,000 with the general partner to compensate the Company for services provided related to locating the site, negotiating the purchase and sale agreement and organizing the formation of GEC LP 2. For the fiscal year ended August 31, 2016, $Nil (August 31, 2015 – $95,488) of the fee has been recognized as revenue. As of August 31, 2015, all amounts owing under the Fee Agreement had been paid and were recognized as revenue by the Company.

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") for total cash consideration of $29,319,000. This purchase was considered an asset acquisition and was classified as an investment property with the exception of $111,423 related to furniture (Note 5 and 9). Transactions costs totaling $104,566 were capitalized to the investment property (Note 5).

Management has determined that the Company and certain of its subsidiaries have control over GEC LP 3 and, accordingly, have consolidated the results of GEC LP 3 for the period subsequent to its formation, notwithstanding the fact that GEC Holdings owns less than the majority of voting units (20%) at August 31, 2016 and 2015. 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 August 31, 2016, there were no cash distributions made to date.

NOTE 4 – REAL ESTATE DEVELOPMENT (cont'd)

The Third Project (the "GEC Project 3") (cont'd)

In connection with the GEC Project 3, the Company entered into a Fee Agreement in the amount of $900,000 with the 60% limited partner to compensate the Company for services provided related to locating the site, negotiating the purchase and sale agreement and organizing the formation of GEC LP 3. For the fiscal year ended August 31, 2016 - $nil (2015 - $900,000) of the fee was recognized as revenue. As of August 31, 2015, all amounts owing under the Fee Agreement had been paid and has been recognized as revenue by the Company.

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 year ended August 31, 2016, the Company expensed $1,152,911 (2015 – $Nil) under the head lease agreement, and earned $1,313,419 (2015 – $Nil) 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 become 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 6(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 year ended August 31, 2016, the Company expensed $3,692,057 (2015 – $Nil) under the head lease agreement, and earned $3,646,040 (2015 – $Nil) of rental revenue from the operations of the property for the same period.

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 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 $17,750,000 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. At August 31, 2016, refundable deposits totalling $3,000,000 (August 31, 2015 – $Nil) were paid. The PSA was closed on October 28, 2016 as disclosed under Subsequent Events (refer to Note 28) and the remaining purchase price of $14,750,000 was paid.

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 (20%) at 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.

As of August 31, 2016, and for the periods then ended, GEC LP 5 did not have significant operations or cash flows from operations.

EXPRESSED IN CANADIAN DOLLARS

NOTE 4 – REAL ESTATE DEVELOPMENT (cont'd)

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. At August 31, 2016, there were no units issued by the general partner and no significant activity for the period ended August 31, 2016. See Subsequent Events.

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. At August 31, 2016, there were no units issued by the general partner and no significant activity for the period ended August 31, 2016. See Subsequent Events.

NOTE 5 – 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, 2016 to be $49,900,000 (2015: $38,100,000) using the income capitalization approach (2015: comparable market transaction approach) per a recent independent appraisal which applies a capitalization rate to the projected net income for the property which converts the income stream into the present value of the property. The valuation of the investment property is a level 3 fair value measurement as it involves a significant unobservable input (Note 20).

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

	August 31, 2016	August 31, 2015
Balance, beginning of period	$ 38,100,000	$ -
Acquisition costs	-	29,319,000
Reclassification to property and equipment	-	(111,423)
Transaction costs	-	104,566
Additions during the period	925,265	241,146
Interest on borrowings capitalized during the year	1,095,589	931,536
Gain on fair value during the year	9,779,146	7,615,175
Balance, end of period	$ 49,900,000	$ 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. 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 fiscal period ended August 31, 2016 and 2015, respectively, there were $1,313,419 and $647,046 of rental revenues which were offset by $890,478 and $479,257 of direct operating expenses associated with the investment property.

The fair value was determined using a blended capitalization rate of 4.03% and projected annual net operating income of $2.2 million. An increase or decrease in the net operating income would result in a respective increase or decrease to the fair value of the investment property. An increase or decrease in the capitalization rate would result in a decrease or increase to the fair value of the investment property. Small incremental increases or decreases in these two unobservable inputs can have significant impact on fair value.

EXPRESSED IN CANADIAN DOLLARS

NOTE 6 – 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.

		Percentage of Ownership as at	
Entity	Principal place of business	August 31, 2016	August 31, 2015
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.

	Non-controlling interest %	
Subsidiary / division	August 31, 2016	August 31, 2015
Beihai College [(1)]	0.00%	40.00%
Irix Design Group Inc.	49.00%	49.00%
GEC Project 1 [(2)]	76.97%	-
GEC Project 2 [(3)]	42.81%	55.98%
GEC Project 3 [(4)]	80.00%	80.00%
GEC Project 5	75.00%	-

(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) GEC Project 1 was previously accounted for under the equity method at August 31, 2015.
(3) 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 (2015 – an increase of $36,870).
(4) Disproportionate contributions to GEC LP 3 upon formation during the year ended August 31, 2015 resulted in a direct charge to equity (an increase) during fiscal 2015 of $300,000.

(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.

EXPRESSED IN CANADIAN DOLLARS

NOTE 6 – 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, 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	278,535	(346,555)	(68,020)
Other adjustments	(27,578)	-	(27,578)
Distribution on dissolution (Note 4)	(733,815)	-	(733,815)
Carrying value – August 31, 2016	$ -	$ 1,453,445	$ 1,453,445

	GEC LP 1
Carrying value – September 1, 2014	$ 232,320
Adjust cumulative amount recognized	(10,098)
Change in ownership - partner contributions	27,578
Share of net income (loss) in investee	(9,360)
Carrying value – August 31, 2015	$ 240,440

(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.

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 4). Capital contributions are disproportionate to percentage of units which results in a different carrying value in the associate.

	August 31, 2016
Current assets	$ 753,945
Non-current assets	36,319,138
Current liabilities	988,745
Non-current liabilities	33,394,376
Net assets (100%)	$ 2,689,962
Revenue	$ 3,727,473
Loss from operations	1,732,774
Other comprehensive income	-
Total comprehensive loss	1,732,774
Company's share of total comprehensive income (loss)	$ (346,555)

EXPRESSED IN CANADIAN DOLLARS

NOTE 7 – DISPOSITION OF EDUCATION SUBSIDIARY

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 was subject to certain regulatory approvals.

On July 8, 2016, the Company received final regulatory approval for the sale and the transaction closed on August 12, 2016. The Company recognized a gain on disposition of $3,827,120 calculated as follows:

Cash proceeds, net of transaction costs of $123,777	$	3,874,576
Net assets sold and derecognized:		
Cash and cash equivalents	$	166,414
Accounts receivable		3,138
Prepaid expenses, agency fees and other		163,040
Inventory		34,407
Property and equipment		228,629
Intangible assets		498,450
Goodwill		390,000
Accounts payable and accrued liabilities		(452,585)
Deferred educational revenue		(935,807)
Finance lease obligations		(48,230)
	$	47,456
Gain on disposition	$	3,827,120

EXPRESSED IN CANADIAN DOLLARS

NOTE 8 – ACQUISITON OF VANCOUVER INTERNATIONAL COLLEGE

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 acquisition date was July 8, 2016.

The Company concluded that the acquired assets and assumed liabilities of VIC constituted a business and accordingly the transaction was accounted for as a business combination. As the Company is in the process of valuing the assets acquired and liabilities assumed the purchase price and allocation of purchase price remains subject to finalization. The following table summarizes the estimated fair value of the identifiable assets acquired and liabilities assumed:

Purchase price:		
Cash	$	1,500,000
Contingent consideration		83,321
Working capital adjustments		(66,882)
Total purchase price	$	1,516,439
Cash and cash equivalents	$	320,268
Prepaid expenses and other		29,963
Property and equipment		60,014
Intangible assets		205,586
Goodwill		1,318,604
Deferred educational revenue		(400,437)
Finance lease obligations		(17,559)
Net assets acquired equal to purchase price	$	1,516,439

The goodwill is attributable to expected synergies from combining the operations of SSDC and VIC. Management expects to recruit graduating students to VIC to SSDC for further education, thereby increasing the cash flow of SSDC through the acquisition of VIC. Goodwill may also include general business goodwill for the operations as a whole. Approximately 75% of the goodwill is expected to be deductible for tax purposes.

Contingent Consideration

The contingent consideration arrangement requires the Company to pay an additional $100,000 of purchase consideration on or before December 31, 2017, upon certain conditions being met including reaching a net income of $300,000 (subject to certain adjustments) in the audited financial statements for the period of September 1, 2016 to August 31, 2017. The fair value of the contingent consideration of $83,321 has been estimated by calculating the present value of the future expected cash flows based on a 85% probability the amount will be paid and a discount rate of 1.7%.

Acquisition-related costs of $37,860 were expensed for the year ended August 31, 2016.

The purchase price allocation for this acquisition is preliminary and may be adjusted further as a result of obtaining additional information regarding preliminary estimates of fair values and costs made at the date of purchase.

The operating results of VIC, from July 8 to August 31, 2016 are included in these consolidated financial statements. For the period from acquisition to August 31, 2016 total revenues were $463,178 and net income was $133,871. The results from the acquisition of VIC had the entity been acquired on September 1, 2015 would not materially alter the results for the group.

EXPRESSED IN CANADIAN DOLLARS

NOTE 9 – PROPERTY AND EQUIPMENT

	Furniture & equipment	Leasehold improvements	Equipment - finance lease	Total
Cost				
August 31, 2014	$ 4,600,213	$ 3,685,305	$ 1,033,173	$ 9,318,691
Additions	410,156	279,769	202,990	892,915
Disposals	(55,301)	(344,097)	(181,921)	(581,319)
Foreign exchange adjustments	94,137	7,759	-	101,896
August 31, 2015	5,049,205	3,628,736	1,054,242	9,732,183
Additions	284,307	174,220	73,491	532,018
Acquired in business combination	15,900	26,555	17,559	60,014
Disposals	(71,793)	-	-	(71,793)
Disposition of education subsidiary	(261,951)	(214,453)	(79,108)	(555,512)
Deconsolidation of subsidiary unit	(293,132)	(21,704)	-	(314,836)
Foreign exchange adjustments	29,055	(7,820)	-	21,235
August 31, 2016	$ 4,751,591	$ 3,585,534	$ 1,066,184	$ 9,403,309
Depreciation				
August 31, 2014	$ (3,348,921)	$ (3,131,252)	$ (360,368)	$ (6,840,541)
Depreciation for the year	(374,327)	(229,841)	(164,606)	(768,774)
Disposals	45,536	319,514	106,846	471,896
Foreign exchange adjustments	(68,477)	(7,498)	-	(75,975)
August 31, 2015	(3,746,189)	(3,049,077)	(418,128)	(7,213,394)
Depreciation for the year	(335,191)	(205,994)	(162,542)	(703,727)
Disposals	63,430	-	-	63,430
Disposition of education subsidiary	170,780	133,078	23,025	326,883
Deconsolidation of subsidiary unit	230,539	21,704	-	252,243
Foreign exchange adjustments	(32,856)	7,259	-	(25,597)
August 31, 2016	$ (3,649,487)	$ (3,093,030)	$ (557,645)	$ (7,300,162)
Net carrying amounts				
At August 31, 2015	$ 1,303,016	$ 579,659	$ 636,114	$ 2,518,789
At August 31, 2016	$ 1,102,104	$ 492,504	$ 508,539	$ 2,103,147

EXPRESSED IN CANADIAN DOLLARS

NOTE 10 – INTANGIBLE ASSETS

Intangible assets with definite life	Agreements	Curriculum	Foreign cooperative agreements	Agency fees	Total
Cost					
August 31, 2014	$ 348,333	$ 2,353,868	$ 1,120,998	$ 2,909,400	$ 6,732,599
Additions	-	-	-	515,794	515,794
Disposals	-	-	-	-	-
Foreign exchange adjustments	-	-	118,006	-	118,006
August 31, 2015	348,333	$ 2,353,868	1,239,004	3,425,194	7,366,399
Additions	-	-	-	777,113	777,113
Acquired in business combination	-	63,516	-	-	63,516
Disposals	-	-	-	-	-
Disposition of education subsidiary	-	(752,000)	-	(23,283)	(775,283)
Deconsolidation of subsidiary unit	-	-	(275,420)	-	(275,420)
Foreign exchange adjustments	-	-	(31,214)	-	(31,214)
August 31, 2016	$ 348,333	$ 1,665,384	$ 932,370	$ 4,179,024	$ 7,125,111
Accumulated amortization					
August 31, 2014	$ (348,333)	$ (995,140)	$ (812,839)	$ (2,506,082)	$ (4,662,394)
Amortization	-	(167,100)	(43,660)	(403,318)	(614,078)
Disposals	-	-	-	-	-
Foreign exchange adjustments	-	-	(68,944)	-	(68,944)
August 31, 2015	(348,333)	(1,162,240)	(925,443)	(2,909,400)	(5,345,416)
Amortization	-	(130,135)	(36,514)	(515,794)	(682,443)
Disposals	-	-	-	-	-
Disposition of education subsidiary	-	395,950	-	-	395,950
Deconsolidation of subsidiary unit	-	-	218,964	-	218,964
Foreign exchange adjustments	-	-	18,838	-	18,838
August 31, 2016	$ (348,333)	$ (896,425)	$ (724,155)	$ (3,425,194)	$ (5,394,107)
Net carrying amounts					
At August 31, 2015	$ -	$ 1,191,628	$ 313,561	$ 515,794	$ 2,020,983
At August 31, 2016	$ -	$ 768,959	$ 208,215	$ 753,830	$ 1,731,004
Weighted average remaining useful life (in years) at August 31, 2016	0.00	6.81	1.85	0.50	3.47

EXPRESSED IN CANADIAN DOLLARS

NOTE 10 – INTANGIBLE ASSETS (cont'd)

Intangible assets with indefinite life	Accreditations & registrations	Brand-names & trade-names	Chinese university agreements	Total
Cost				
At August 31, 2014	$ 2,506,000	$ 3,484,400	$ 460,993	$ 6,451,393
Additions	-	-	-	-
At August 31, 2015	2,506,000	3,484,400	460,993	6,451,393
Additions	-	-	-	-
Acquired in business combination	37,731	104,339	-	142,070
Disposals	-	-	-	-
Disposition of education subsidiary	(142,400)	-	-	(142,400)
At August 31, 2016	$ 2,401,331	$ 3,588,739	$ 460,993	$ 6,451,063

Summary of intangible assets as at August 31, 2016 and August 31, 2015:

Total intangible assets	August 31, 2016	August 31, 2015
Intangible assets with definite life	$ 1,731,004	$ 2,020,983
Intangible assets with indefinite life	6,451,063	6,451,393
Total intangible assets	$ 8,182,067	$ 8,472,376

NOTE 11 – GOODWILL

Goodwill consisted of the following at August 31, 2016 and August 31, 2015:

	August 31, 2016	August 31, 2015
Beginning balance	$ 4,793,303	$ 4,793,303
Additions during the year	1,318,604	-
Disposals during the year (Note 7)	(390,000)	-
Ending balance	$ 5,721,907	$ 4,793,303

Allocation by cash-generating units or group of cash generating units is as follows:

	August 31, 2016	August 31, 2015
Sprott-Shaw Degree College	$ 4,403,303	$ 4,793,303
Vancouver International College	1,318,604	-
	$ 5,721,907	$ 4,793,303

EXPRESSED IN CANADIAN DOLLARS

NOTE 12 – IMPAIRMENT TESTING OF INTANGIBLE ASSETS AND GOODWILL

The Company performs impairment tests annually on indefinite life intangible assets and goodwill based on cash-generating units. For the purpose of impairment testing, indefinite life intangible assets and goodwill to each of the Company's cash-generating units as follows:

	August 31, 2016	August 31, 2015
Intangible assets with indefinite life		
Sprott-Shaw Degree College Corp.	$ 5,848,000	$ 5,990,400
CIBT Beihai International College	460,993	460,993
Vancouver International College (1)	142,070	-
	$ 6,451,063	$ 6,451,393
Goodwill		
Sprott-Shaw Degree College Corp.	$ 4,403,303	$ 4,793,303
Vancouver International College (1)	1,318,604	-
	$ 5,721,907	$ 4,793,303

(1) The intangible assets and goodwill relating to Vancouver International College were acquired on July 8, 2016. The acquired assets were assessed at fair values with no indicators of impairment, and as a result no annual impairment tests were performed on these assets. The Company will conduct the annual impairment tests on the assets in the next fiscal year.

As at August 31, 2016, the Company performed the annual impairment test on indefinite life intangible assets and goodwill. The recoverable amount of each cash-generating unit is calculated based on value in use, which was determined by discounting the future cash flows generated from the continuing use of the cash-generating units. The cash flow projections reflect management's expectations of revenue growth, expenses and margin for each cash-generating unit based on past experience. The discount rates applied to the cash flows were derived from market sources as at August 31, 2016 and was determined on a consistent basis with the prior period.

The calculation of the value in use was based on the following key assumptions for the cash-generating units:

- Cash flows were projected over a three year period based on past experience and actual operating results.
- Growth rate for the Sprott-Shaw Degree College Corp. cash-generating unit was projected at 8.1% in year one and 2% thereafter.
- A terminal growth rate of 2% was applied to the cash-generating unit.
- Discount rates ranging from 18.7% to 21.0% were applied to Sprott-Shaw Degree College Corp. cash generating unit to determine its recoverable amount.

As a result of the annual impairment test, the recoverable amount of each cash-generating unit was determined to be higher than its carrying amount, and accordingly there was no impairment to the value of indefinite life intangible assets and goodwill at August 31, 2016.

Significant management judgement is necessary to evaluate the impact of operating and economic changes on the Company. Critical assumptions include projected operating and administrative expenses, change in capital expenditures, growth rates, as well as an appropriate discount rate. If future growth and results of the Company differ significantly from management's current best estimates with respect to the critical assumptions noted above, it is reasonably possible that this could have an adverse impact on the estimated recoverable amounts of the Company, including the amounts of allocated goodwill and intangible assets, and result in an impairment charge.

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NOTE 12 – IMPAIRMENT TESTING OF INTANGIBLE ASSETS AND GOODWILL (cont'd)

For the Sprott-Shaw Degree College Corp. cash-generating unit, the Company performed a sensitivity analysis on key assumptions while holding other assumptions constant. Under such scenarios, the carrying amount of the Sprott-Shaw Degree College Corp. cash-generating unit would equal the recoverable amount at a discount rate of 34.1%, and under the current scenario, every 1.0% decrease in the forecasted revenue would result in a decrease of the recoverable amount by an average of approximately $670,000. The Sprott-Shaw Degree College Corp. cash-generating unit needs to achieve a minimum of 1.5% revenue growth in fiscal 2017 and thereafter, otherwise it may encounter an impairment charge in fiscal 2017.

NOTE 13 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consisted of the following at August 31, 2016 and August 31, 2015:

	August 31, 2016	August 31, 2015
Trade accounts payable	$ 1,802,438	$ 2,094,912
Payroll and related liabilities	380,848	273,552
Tuition fees and grants payable	335,624	414,255
Others	192,240	76,679
Refund of sale proceeds	-	325,000
Sales taxes payable	(13,019)	164,877
Non-controlling interest buyout payable	-	166,667
Tenant lease inducements	225,454	326,579
Mortgage interest	76,935	883,640
	$ 3,000,520	$ 4,726,161

NOTE 14 – PROVISIONS

The Company's provisions are for legal claims and severances. Details of changes in the Company's provisions balance are as follows:

	Legal claims and severance	Total
Balance, August 31, 2014	$ 38,000	$ 38,000
Additional provisions recognized	(33,000)	(33,000)
Reductions arising from payments	(5,000)	(5,000)
Balance, August 31, 2015 and 2016	$ -	$ -

EXPRESSED IN CANADIAN DOLLARS

NOTE 15 – BORROWINGS

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

	August 31, 2016	August 31, 2015
Mortgages payable - refer to GEC Project 3 debt below	$ 28,312,602	$ 23,675,080
Loan payable - refer to Demand Loan below	480,000	-
Other loan	45,462	-
	28,838,064	23,675,080
Less: current portion	(493,638)	(23,675,080)
	$ 28,344,426	$ -

GEC Project 3 Mortgages Payable

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 bore 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. In July 2016 the Mortgage was refinanced.

GEC Project 3 Debt Refinancing

In June 2016, GEP 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.

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. $897,613 (2015 - $500,000) was deposited into trust as a reserve against future interest cost over runs.

In connection with the 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 year ended August 31, 2016, respectively, a total of $550,664 (Fiscal 2015 – $418,818) of these costs was expensed. In addition, during the year ended August 31, 2016, a total of $1,790,836 (Fiscal 2015 – $997,361) of interest was accrued of which $67,151 was included in accounts payable and accrued liabilities as of August 31, 2016 (August 31, 2015 - $883,640). Of the total interest incurred of $2,788,197 to date, $1,095,589 was capitalized to the GEC Project 3 Investment Property during the year ended September 30, 2016 (2015 - $931,536).

EXPRESSED IN CANADIAN DOLLARS

NOTE 15 – BORROWINGS (cont'd)

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

	August 31, 2016	August 31, 2015
Balance, beginning of period	$ 23,675,080	$ -
Mortgage advances	19,380,000	24,021,050
Repayments	(14,576,050)	-
Finance fees	(717,092)	(764,788)
Accretion of finance fees	550,664	418,818
Balance, end of period	$ 28,312,602	$ 23,675,080

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.

Demand Loan

In connection with the reorganization of GEC Project 1 (refer to Note 4), 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. During the year ended August 31, 2016, a total of $56,495 interest cost was incurred on the debt with $9,784 of the interest amount remaining unpaid and included in accounts payable and accrued liabilities as of August 31, 2016. This loan was repaid in October 2016.

NOTE 16 – FINANCE LEASE OBLIGATIONS

The Company has classified certain leases for equipment as finance leases on the basis that the lease term represents the major portion of the asset's economic life and the minimum lease payments over the term of the lease amount to substantially all of the estimated fair value of the asset. The estimated future annual minimum lease payments for these assets are as follows:

	Minimum lease payments		Present value of minimum lease payments	
	August 31, 2016	August 31, 2015	August 31, 2016	August 31, 2015
Not later than one year	$ 191,374	$ 247,320	$ 164,795	$ 208,094
Later than one year and not later than five years	349,308	506,492	324,009	457,416
Later than five years	-	-	-	-
	540,682	753,812	488,804	665,510
Less: future finance charges	(51,878)	(88,302)	-	-
Present value of minimum lease payments	488,804	665,510	$ 488,804	$ 665,510
Less: current portion	(164,795)	(208,094)		
	$ 324,009	$ 457,416		

The average lease term is 26 months (2015 – 66 months). The Company has options to purchase the equipment at fair market value at the end of the lease terms and must pay any remaining minimum lease payments upon cancelling a lease early. The Company's obligations under finance leases are secured by the lessors' title to the leased assets.

EXPRESSED IN CANADIAN DOLLARS

NOTE 17 – SHARE CAPITAL

Authorized shares

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

	Number	Value
Issued and outstanding		
Balance at August 31, 2014	66,456,853	$ 48,836,693
- treasury share cancellations	(2,523,100)	(814,956)
- for private placement at $0.25 per share	4,897,000	1,224,250
- fees and commissions for private placement	-	(86,298)
- fair value of warrants for private placement	-	-
- fair value of agent's warrants for private placement	-	(44,199)
Balance at August 31, 2015	68,830,753	49,115,490
- treasury share cancellations	(672,300)	(196,817)
- for share purchase warrant exercise at $0.25 per share	139,650	34,913
- for share purchase warrant exercise at $0.30 per share	102,500	30,750
- for stock options exercise at $0.25 per share	75,000	18,750
- fair value of agent's warrants on exercise of share purchase warrants	-	18,155
- fair value of options on exercise of stock options	-	3,750
Balance at August 31, 2016	68,475,603	$ 49,024,991

On July 20, 2015, the Company completed a private placement of 4,897,000 units at $0.25 per unit for total proceeds of $1,224,250. Each unit consists of one common share and one-half of a share purchase warrant. Each whole share purchase warrant entitles the holder to purchase one additional common share of the Company at a price of $0.30 per share for a period of two years from the date of issuance. The fair value of the share purchase warrants was determined to be $NIL using the residual value method. Accordingly, the net proceeds of the private placement have been allocated 100% to the common shares.

In connection with the private placement, the Company incurred costs consisting of a cash commission of $86,298 and 339,990 finder's warrants. Each finder's warrant entitles the holder to purchase one common share of the Company at a price of $0.25 per share for a period of two years from the date of issuance. The fair value of the finder's warrants was estimated to be $44,199 using the Black-Scholes option pricing model with weighted average assumptions for grants as follows:

	August 31, 2015
Exercise price	$0.25 per share
Expected dividend yield	0.00 %
Expected volatility	77.40 %
Risk-free interest rate	0.42 %
Expected life	2.00 years

EXPRESSED IN CANADIAN DOLLARS

NOTE 17 – SHARE CAPITAL (cont'd)

Share purchase warrants

The Company has 200,340 share purchase warrants outstanding exercisable at a price of $0.25 per share exercisable to July 20, 2017, and 2,346,000 share purchase warrants outstanding exercisable at a price of $0.30 per share exercisable to July 20, 2017.

The Company's share purchase warrant activity is summarized as follows:

	Number of Warrants	Weighted Average Exercise Price ($)	Weighted Average Remaining Life
Balance, August 31, 2014	-	-	
- warrants issued during the year	2,788,490	0.29	
Balance, August 31, 2015	2,788,490	0.29	1.89 years
- warrants exercised during the year	(242,150)	0.27	
Balance, August 31, 2016	2,546,340	0.30	0.88 years

Details of share purchase warrants outstanding and exercisable as at August 31, 2016 are as follows:

Number of Warrants	Exercise Price	Expiry Date	Remaining Contractual Life
200,340	$0.25	July 20, 2017	0.88 years
2,346,000	$0.30	July 20, 2017	0.88 years
2,546,340			

Details of share purchase warrants outstanding and exercisable as at August 31, 2015 are as follows:

Number of Warrants	Exercise Price	Expiry Date	Remaining Contractual Life
339,990	$0.25	July 20, 2017	1.89 years
2,448,500	$0.30	July 20, 2017	1.89 years
2,788,490			

EXPRESSED IN CANADIAN DOLLARS

NOTE 17 – SHARE CAPITAL (cont'd)

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.

The Company's stock option activity is summarized as follows:

	Number of Options	Weighted Average Exercise Price ($)	Weighted Average Remaining Life
Balance, August 31, 2014	3,439,000	0.31	2.06 years
- options granted during the year	150,000	0.25	
- options expired during the year	(55,500)	0.24	
Balance, August 31, 2015	3,533,500	0.31	1.05 years
- options granted during the year	315,000	0.39	
- options exercised during the year	(75,000)	0.25	
- options expired during the year	(1,400,500)	0.40	
Balance, August 31, 2016	2,373,000	0.26	0.99 years

The grant date weighted average fair value of stock options granted was $0.19 per share (2015 – $0.05 per share).

The exercise date weighted average market price was $0.58 per share (2015 – N/A).

EXPRESSED IN CANADIAN DOLLARS

NOTE 17 – SHARE CAPITAL (cont'd)

Stock options (cont'd)

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

Number of Options	Exercise Price	Expiry Date	Remaining Contractual Life
1,953,000	$0.24	January 6, 2017	0.35 years
75,000	$0.25	April 7, 2017	0.60 years
30,000	$0.37	July 10, 2019	2.86 years
165,000	$0.38	July 21, 2021	4.89 years
150,000	$0.41	August 5, 2021	4.93 years
2,373,000			

As at August 31, 2016, a total of 2,129,250 stock options were exercisable with a weighted average exercise price of $0.26 per share

Details of options outstanding as at August 31, 2015 are as follows:

Number of Options	Exercise Price	Expiry Date	Remaining Contractual Life
1,265,000	$0.42	March 1, 2016	0.50 years
150,000	$0.25	June 30, 2016	0.83 years
2,088,500	$0.24	January 6, 2017	1.35 years
30,000	$0.37	July 10, 2019	3.86 years
3,533,500			

As at August 31, 2015, a total of 3,518,500 stock options were exercisable with a weighted average exercise price of $0.31 per share

Share-based payment

Date Granted	Shares Granted	Exercise Price	Fair Value	Vesting Period
January 6, 2012	3,058,000	$0.24	$225,068	25% vesting on grant and 25% at end of each of 12, 24 and 36 months
July 10, 2014	30,000	$0.37	$5,700	25% vesting on grant and 25% at end of each of 12, 24 and 36 months
April 7, 2015	150,000	$0.25	$7,500	33.33% vesting on grant, 33.33% on May 31, 2015 and 33.33% on June 30, 2015
July 21, 2016	165,000	$0.38	$31,764	25% vesting on grant and 25% at end of each of 12, 24 and 36 months
August 5, 2016	150,000	$0.41	$27,750	25% vesting on grant and 25% at end of each of 12, 24 and 36 months

Effective June 9, 2016 Company extended the term of 150,000 options originally set to expire June 30, 2016. The new term expires April 7, 2017. The Company recorded a compensation expense of $4,500 being the incremental estimated fair value of the modified option over the estimated fair value of the previous remaining option. The fair values were estimated using the Black-Scholes option pricing model.

EXPRESSED IN CANADIAN DOLLARS

NOTE 17 – SHARE CAPITAL (cont'd)

Share-based payment (cont'd)

The fair value of these options is estimated at the time of the grant using the Black-Scholes option pricing model with weighted average assumptions per grant for the years ended as follows:

	For the year ended August 31, 2016	For the year ended August 31, 2015
Expected life	3.50 years	1.10 years
Risk-free interest rate	0.58%	0.50%
Expected dividend yield	0.00%	0.00%
Expected volatility	66.22%	56.40%
Expected forfeiture rate	6.00%	0.00%
Weighted average share price	$0.40	$0.23

The following table shows the weighted average number of common shares outstanding.

	August 31, 2016	August 31, 2015
Basic weighted average number of common shares outstanding	68,437,178	64,670,908
Effect of in-the-money share purchase warrants	304,773	4,192
Effect of in-the-money stock options	603,024	164,915
Diluted weighted average number of common shares outstanding	69,344,975	64,840,015

For all periods presented, basic earnings per share and diluted earnings per are equivalent as the potential effects of dilutive instruments are not material.

NOTE 18 – 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. During the prior fiscal year, the Company cancelled a total of 2,523,100 treasury shares with an accumulated cost of $814,956. During the current fiscal year, the Company cancelled a total of 672,300 treasury shares with an accumulated cost of $196,817.

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

	Number	Value
Balance, August 31, 2014	1,570,100	$ 550,796
Purchases of treasury shares	1,021,000	283,358
Cancellation of treasury shares	(2,523,100)	(814,956)
Balance, August 31, 2015	68,000	19,198
Purchases of treasury shares	976,900	351,474
Cancellation of treasury shares	(672,300)	(196,817)
Balance, August 31, 2016	372,600	$ 173,855

EXPRESSED IN CANADIAN DOLLARS

NOTE 19 – NON-CONTROLLING INTERESTS

	CIBT	SSDC	IRIX	GEC	Total
August 31, 2014	$ 1,004,092	$ 365,633	$ (208,576)	$ 3,995,488	$ 5,156,637
Net contributions	-	-	-	5,937,712	5,937,712
Net withdrawals	-	(365,633)	-	-	(365,633)
Changes in ownership investment interests	-	-	-	(336,870)	(336,870)
Allocation of income (loss)	10,560	-	5,007	4,945,187	4,960,754
Foreign exchange adjustments	165,751	-	-	-	165,751
August 31, 2015	1,180,403	-	(203,569)	14,541,517	15,518,351
Net contributions	-	-	-	11,114,400	11,114,400
Net withdrawals	-	-	-	-	-
Changes in ownership investment interests	-	-	-	36,870	36,870
Deconsolidation of subsidiary unit	(1,096,561)	-	-	-	(1,096,561)
Allocation of income (loss)	(14,803)	-	(22,549)	5,346,802	5,309,450
Foreign exchange adjustments	(6,979)	-	-	-	(6,979)
August 31, 2016	$ 62,060	$ -	$ (226,118)	$ 31,039,589	$ 30,875,531

NOTE 20 – FINANCIAL INSTRUMENTS

(a) Financial assets and liabilities by category

The following represents the carrying values of the financial assets and liabilities of the Company and the associated classifications and measurement basis for each balance. There were no financial assets or liabilities classified as available-for-sale, held-to-maturity or fair value through profit and loss.

	Measurement basis	August 31, 2016	August 31, 2015
Financial assets			
Loans and receivables			
Cash and cash equivalents	Amortized cost	$ 4,341,970	$ 2,286,631
Accounts receivable	Amortized cost	6,795,474	7,975,499
Due from related party	Amortized cost	2,329,947	735,000
Refundable deposits	Amortized cost	15,800,000	10,875,000
Cash held in trust	Amortized cost	-	660,010
		$ 29,267,391	$ 22,532,140
Financial liabilities			
Other liabilities			
Accounts payable and accrued liabilities	Amortized cost	$ 3,000,520	$ 4,726,161
Due to GEC LP 1	Amortized cost	-	2,160,010
Due to related parties	Amortized cost	1,016,825	1,847,159
Finance lease obligations	Amortized cost	488,804	665,510
Borrowings	Amortized cost	28,838,064	23,675,080
		$ 33,344,213	$ 33,073,920

NOTE 20 – FINANCIAL INSTRUMENTS (cont'd)

(b) Fair value information

The fair value hierarchy establishes three levels to classify the significance of inputs to valuation techniques used in making fair value measurements of financial assets and liabilities. The categories are:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 inputs are not based on unobservable market data.

The Company has no financial assets or liabilities subject to Level 1, 2, or 3 fair value measurements.

The estimated fair value of the Company's financial instruments approximates the amount for which the financial instrument could currently be exchanged in an arm's length transaction between willing parties who are under no compulsion to act. The carrying amounts of cash and cash equivalents, cash held in trust, accounts receivable, accounts payable and accrued liabilities, and amounts due to and from related parties are considered reasonable approximations of their fair values due to the short-term nature of these instruments. The estimated fair value of the borrowings and finance lease obligations are categorized within Level 2 of the fair value hierarchy. The fair value of these items approximates their carrying value and has been determined by discounting the contractual cash flows using implied yields of obligations bearing similar credit risk and maturities.

EXPRESSED IN CANADIAN DOLLARS

NOTE 21 – INCOME TAXES

The Company's operations are subject to income taxes primarily in Canada and China. Income tax provision (recovery) in these consolidated financial statements relates to CIBT's domestic operations in China and to SSDC's domestic operations in Canada.

Statutory tax rates	2016	2015
China	25.00%	25.00%
Canada	26.00%	26.00%

The following table is a reconciliation of income tax expense (recovery), at the Canadian income tax rate and the amount of reported income tax expense in the Statements of Income (Loss).

	Year Ended August 31, 2016	Year Ended August 31, 2015
Income (loss) before taxes	$ 10,670,588	$ 6,963,170
Statutory Canadian income tax rate	26.00%	26.00%
Income tax recovery at statutory rate	2,774,353	1,810,424
Effect of differences in foreign tax rates	2,511	2,383
Expired non-capital loss carry-forwards	-	54,386
Non-deductible expenses, net	27,400	103,153
Effect of differences in prior period tax returns as filed	13,152	(17,414)
Change in deferred tax assets not recognized	46,942	53,118
Impact of disposition of education subsidiary	(486,726)	-
Change in fair value of property	(1,279,509)	(989,973)
Impact of partnership loss (income) allocation	309,674	-
Other	47,377	(53,681)
Income tax expense	$ 1,455,174	$ 962,396
Consisting of:		
Current tax expense	$ 3,938	$ 3,552
Deferred tax expense	1,451,236	958,844
	$ 1,455,174	$ 962,396

Effective January 1, 2012, the Canadian Federal corporate tax rate decreased from 16.5% to 15%. Effective April 1, 2013, the British Columbia provincial tax rate increased from 10% to 11%.

EXPRESSED IN CANADIAN DOLLARS

NOTE 21 – INCOME TAXES (cont'd)

The following table shows deferred income taxes resulting from temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the amount used for tax purposes, as well as tax loss carry-forwards.

	Year Ended August 31, 2016	Year Ended August 31, 2015
Deferred income tax assets		
Canada		
Non-capital loss carry-forwards	$ 4,331,948	$ 4,025,945
Share issuance and finance costs	175,299	87,011
Property and equipment	183,141	208,856
Intangible assets	12,259	8,723
Net capital losses	6,391	6,393
Total deferred income tax assets	$ 4,709,038	$ 4,336,928
Deferred tax liabilities		
Canada		
Property and equipment	$ (167,341)	$ (178,245)
Change in fair value of investment property	(2,253,042)	(989,973)
Goodwill and intangible assets	(2,480,963)	(1,909,782)
China		
Intangible assets	(115,248)	(115,248)
Total deferred income tax liabilities	$ (5,016,594)	$ (3,193,248)
Classified as:		
Deferred tax assets, net	$ 2,091,845	$ 2,115,926
Deferred tax liabilities, net	(2,399,401)	(972,246)
Net deferred tax assets (liabilities)	$ (307,556)	$ 1,143,680

Deductible temporary differences and unused tax losses for which a future benefit has not been recognized as a deferred tax asset include the following:

	August 31, 2016	August 31, 2015
Non-capital loss carry-forwards	$ 998,669	$ 1,776,558
Net capital loss carry-forwards	1,314,530	1,217,263
Investments	1,399,384	1,593,918
Property and equipment	140,022	111,831
	$ 3,852,605	$ 4,699,570

(i) The Company has un-recognized income tax loss carry-forwards of approximately $998,669 (2015 - $1,776,558) for China tax purposes. These un-recognized tax losses will expire between 2017 to 2021.

(ii) The Company has un-recognized net capital loss carry-forwards of approximately $1,314,530 (2015 - $1,217,263) for Canadian tax purposes. These un-recognized tax losses are carried forward indefinitely.

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NOTE 21 – INCOME TAXES (cont'd)

The Company has recognized $2,091,845 (2015 - $1,973,321) of deferred tax assets that are dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable differences. In addition the Company has suffered a loss in the prior period in the tax jurisdictions to which the deferred tax assets relate. The Company has undertaken tax planning in the current and prior period that is expected to increase future taxable income, which support the recognition of the deferred tax asset.

The Company has also projected, that its current program investment activities that are giving rise to current period profit and prior period losses, will result in future taxable profits that will be sufficient to utilize the deferred tax assets.

NOTE 22 – COMMITMENTS & CONTINGENCIES

The Company entered into a lease agreement for the Company's corporate office space in Vancouver, B.C. CIBT's subsidiaries in China entered into various lease agreements. SSDC and VIC are committed to payments consisting of office and campus premises rental and operating leases for equipment.

	Corporate	CIBT (China)	SSDC	VIC	Total
Not later than one year	$ 95,202	$ 21,710	$ 1,625,190	$ 213,472	$ 1,955,574
Later than one year and not later than five years	111,069	10,444	3,360,752	315,787	3,798,052
Later than five years	-	-	1,374,274	-	584,174
	$ 206,271	$ 32,154	$ 6,360,216	$ 529,259	$ 6,337, 800

SSDC has provided one letter of credit in the amount of $200,000. As at August 31, 2016, the letter of credit was not utilized.

The mortgage debt on GEC Project 3 (refer to Note 15) matures in June 2018 and July 2018. Total amount owing upon maturity without further advances on the mortgages by the lenders is $32,075,550 (including interest).

An action in the Court of Queen's Bench of Alberta (Action No. 1601-08615) has been commenced against Tri View Capital Ltd. ("Triview"), the Company and others. TriView previously raised funds for one or more of the plaintiffs' projects and has also raised funds for certain of the Company's real estate projects. Disputes developed between TriView and the plaintiffs concerning business dealings not involving the Company. The plaintiffs allege that their proprietary information was used in marketing materials for certain of the Company's real estate projects. The Company has not had any business relationship with any of the plaintiffs, does not operate in the plaintiffs' principal area of business (Alberta), nor does it offer products or services similar to that of the plaintiffs. The Company has filed a Statement of Defence denying all liability and intends to vigorously oppose the claims made against it.

The Company is a party to various other legal proceedings and claims that arise in the ordinary course of business as either a plaintiff or defendant. The Company analyzes all legal proceedings and the allegations therein. The outcome of any of these other proceedings, either individually or in the aggregate, is not expected to have a material adverse effect on the Company's financial position, results of operations or liquidity.

During the year ended August 31, 2016, the Company entered into two 10 year term head lease agreements with limited partnerships under which minimum and additional rents are due to the limited partnership. Additional rents are not known until the end of the year. Total estimate minimum rents under all head leases are expected to be approximately $5,000,000 to $5,800,000 per annum for the remainder of the term.

NOTE 23 – RISK MANAGEMENT

The Company has operations in China and accordingly is exposed to political and economic risks associated with investing in the PRC as well as related industry risks. The Company is engaged primarily in service related industries. The Company generates revenues from multiple sources and from a broad customer/client base and accordingly is not exposed to significant credit concentration risk. The Company is not exposed to significant interest rate risk.

The Company conducts business in Canada, the United States, China and Hong Kong giving rise to significant exposure to market risks from changes in foreign currency rates. The financial risk is the risk to the Company's operations that arises from fluctuations in foreign exchange rates and the degree of volatility of these rates. Currently, the Company does not use derivative instruments or other measures to reduce its exposure to foreign currency risk. In addition, the Company is exposed to Chinese currency fluctuations and restrictions on Chinese currency exchange, which may affect the Company's ability to repatriate profits from China.

Exchange rate risk

The Company operates in Canada and China, and through its subsidiaries in China the Company generates revenues in Chinese RMB and incurs operating costs which are payable in RMB, giving rise to exposure to market risks from changes in foreign currency rates. The Company also holds a minor amount of cash in US dollars, the exchange rate fluctuation between Canadian dollar and US dollar will not have a material impact on net income.

Foreign currency denominated financial assets and financial liabilities which expose the Company to currency risk are as follows (shown in Chinese renminbi with the Canadian dollar equivalent):

	August 31, 2016				August 31, 2015			
Financial assets	RMB	14,532,749	$	2,845,829	RMB	20,529,149	$	4,250,693
Financial liabilities		1,578,096		309,026		2,059,073		426,344
Exposure	RMB	12,954,653	$	2,536,803	RMB	18,470,076	$	3,824,349

The following shows the impact on net income and equity with the RMB fluctuating against the Canadian dollar:

	August 31, 2016		August 31, 2015	
RMB appreciation against C$ by 10%				
Net income (loss)	$	(12,823)	$	(37,108)
Shareholder equity	$	283,208	$	438,603
RMB depreciation against C$ by 10%				
Net income (loss)	$	10,492	$	30,361
Shareholder equity	$	(231,715)	$	(358,857)

Capital control exists in China. China still has many restrictions on the movement of money in and out of the country for anything except payments associated with exports and imports. At present, a company can repatriate up to 90 percent of profits from their China-based operations. A portion (at least 10 percent for Wholly Owned Foreign Entities), must be placed in a reserve account. This reserve is capped at 50 percent of a company's registered capital. To distribute the remainder, a company must obtain a board resolution authorizing distribution and file an application with China's State Administration of Taxation ("SAT") that includes an annual audit, tax receipts and other documents as required. SAT will then issue a Foreign Enterprise Income Tax Payment Certificate which will enable the bank to exchange Chinese RMB into the desired currency for remission of funds. As of August 31, 2016, the amount in the statutory reserve in China is $Nil (2015 - $Nil).

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NOTE 23 – RISK MANAGEMENT (cont'd)

Liquidity risk

The Company is exposed to liquidity risk which is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due in the normal course of business. The Company manages its liquidity risk by monitoring its operating requirements. As at August 31, 2016, the Company had $4,341,970 (August 31, 2015 - $2,286,631) of cash and cash equivalents. In addition, the Company has a demand operating credit facility of $1,500,000. The Company could look to capital financing which has it successfully raised in the current fiscal year and in the past. However, there is no assurance that such financing will be available on favourable terms. Management prepares budgets and cash forecasts to ensure that the Company has sufficient funds to fulfill its financial obligations. The Company is currently in a working capital deficit position, however the Company has positive cash balances as discussed above.

Recent regulatory changes affecting student tuition fee collections have marginally affected SSDC's student tuition relating to international students. Most established international markets such as China, Japan and Korea will continue their payment pattern through agencies. As these markets are more than 50% of SSDC's international revenues, the impact on liquidity is to increase accounts receivable by 6% to maximum risk of 11.5%.

The following tables summarize the obligations of the Company's financial liabilities and operating commitments as at August 31, 2016 and August 31, 2015:

August 31, 2016	Not later than 1 year	Later than 1 year and not later than 5 years	Later than 5 years	Total
Accounts payable and accrued liabilities	$ 3,000,520	$ -	$ -	$ 3,000,520
Income taxes payable	114,836	-	-	114,836
Due to GEC LP 1 and related parties	1,016,825	-	-	1,016,825
Finance leases (including interest charges)	191,374	349,308	-	540,682
Long-term debt (including interest charges)	1,590,439	30,485,111	-	32,075,550
	$ 5,913,994	$ 30,834,419	$ -	$ 36,748,413

August 31, 2015	Not later than 1 year	Later than 1 year and not later than 5 years	Later than 5 years	Total
Accounts payable and accrued liabilities	$ 4,726,161	$ -	$ -	$ 4,726,161
Income taxes payable	176,259	-	-	176,259
Due to GEC LP 1 and related parties	4,007,169	-	-	4,007,169
Finance leases (including interest charges)	247,320	506,492	-	753,812
Long-term debt (including interest charges)	25,775,432	-	-	25,775,432
	$ 34,932,341	$ 506,492	$ -	$ 35,438,833

Credit risk

The financial instruments that potentially subject the Company to significant concentration of credit risk consist principally of cash and cash equivalents and accounts receivable. Cash and cash equivalents are on deposit at major financial institutions. Management is of the opinion that credit risk with respect to accounts receivable is limited due to the ongoing evaluations of its debts and the monitoring of their financial condition to ensure collections and to minimize losses. Accounts receivable as at August 31, 2016 is reported net of allowance for bad debts of $405,733 (August 31, 2015- $319,867). The carrying amount of the assets included on the statement of financial position represents the maximum credit exposure.

NOTE 23 – RISK MANAGEMENT (cont'd)

Interest rate risk

Interest rate risk is the risk that the fair values and future cash flows of the Company's financial instruments will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk primarily on its cash and cash equivalents, short-term investments, demand loan, and mortgage debt. The Company monitors its exposure to interest rates and is comfortable with its exposures given the relatively low short-term prime rate. The weighted-average interest rate paid by the Company during the year ended August 31, 2016 on its mortgage debt was 6.95% (2015 – 6.95%). A 10% increase in the interest earned or paid would result in an approximate $90,000 increase or decrease in the Company's net income in both periods.

NOTE 24 – CAPITAL DISCLOSURES

The Company's objectives in managing capital are to safeguard the Company's normal operating requirements on an ongoing basis and to ensure sufficient liquidity to conduct its strategy of organic growth in conjunction with strategic acquisitions, and to utilize capital to provide an appropriate return on investment to its shareholders. The Company's overall capital strategy remains unchanged from the prior periods. The capital structure of the Company consists of shareholders' equity excluding NCI (August 31, 2016 - $24,063,816 ; August 31, 2015 - $20,606,411) and debt (August 31, 2016 - $29,326,868 ; August 31, 2015 - $24,340,590). The Company manages and adjusts its capital structure in light of economic conditions and the risk characteristics of the underlying assets. The Company monitors its capital using various financial ratios and non-financial performance indicators. The Company's primary uses of capital are to finance working capital requirements, capital expenditures and acquisitions.

EXPRESSED IN CANADIAN DOLLARS

NOTE 25 – GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses are comprised of the following:

	Year Ended August 31, 2016	Year Ended August 31, 2015
Advertising	$ 3,172,507	$ 3,367,041
Bank charges and interest	245,070	200,166
Consulting and management fees	1,250,133	1,056,316
Directors insurance	15,828	15,766
Investor relations	203,877	136,142
Office and general	2,083,755	2,400,695
Professional fees	1,252,218	922,159
Rent	3,269,901	3,050,969
Salaries and benefits	8,023,858	7,871,708
Travel and promotion	311,739	314,566
	$ 19,828,886	$ 19,335,528

NOTE 26 – NET CHANGES IN NON-CASH WORKING CAPITAL ITEMS

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

	Year Ended August 31, 2016	Year Ended August 31, 2015
Short-term investments	$ -	$ 2,118,333
Accounts receivable	(683,186)	(168,891)
Prepaid expenses	(8,974)	(62,205)
Inventory	43,450	(51,392)
Accounts payable and accrued liabilities	(538,107)	(182,823)
Provisions	-	(38,000)
Income taxes payable	4,530	(313)
Deferred educational revenues	2,099,214	481,878
Cash held in trust	(475,000)	-
	$ 441,927	$ 2,096,587

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

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NOTE 27 – RELATED PARTY TRANSACTIONS

Significant transactions between the Company and the following related parties:

	August 31, 2016	August 31, 2015
Accounts receivable - Weifang University (1)	$ 2,139,876	$ 3,257,106
Accounts payable - Weifang University (1)	$ 260,551	$ 81,659
Due from officers, employees, directors and non-arm's length investors (2)	$ 2,329,947	$ 735,000
Due to officers, employees, directors and non-arm's length investors (3)	$ 1,016,825	$ 1,847,159

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 August 31, 2016, the amount due from officers, employees, directors and non-arm's length investors is comprised of the following:

	August 31, 2016	August 31, 2015
Due from Investor 2 of GEC Project 2	$ 635,000	$ 735,000
Due from Developer of GEC Project 5	1,004,795	-
Due from GEC LP 4	461,000	-
Due from Beihai College	229,152	-
	$ 2,329,947	$ 735,000

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 Investor 2 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 Investor 2. 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 August 31, 2016, the amount due to officers, employees, directors and non-arm's length investors is comprised of the following:

	August 31, 2016	August 31, 2015
Due to officers and directors of the Company	$ 1,363	$ 34,151
Due to the President of IRIX	187,237	183,389
Due to Investor 2 of GEC Project 2	-	840,000
Due to Investor 3 and third-party investor of GEC Project 3	828,225	789,619
	$ 1,016,825	$ 1,847,159

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 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.

EXPRESSED IN CANADIAN DOLLARS

NOTE 27 – RELATED PARTY TRANSACTIONS (cont'd)

The remuneration of directors and other members of key management personnel are as follows:

	Year Ended August 31, 2016	Year Ended August 31, 2015
Management fees and salaries	$ 695,981	$ 675,341
Share-based payments	12,579	3,250
	$ 708,560	$ 678,591

NOTE 28 – SUBSEQUENT EVENTS

GEC Project 5 Purchase and Financing

On October 28, 2016, the transactions related to GEC Project 5 (Note 4) closed and the GEC LP 5 purchased a residential and commercial building located in Burnaby, B.C. for $17.75 million before furniture, fixtures and equipment. In addition, the Company entered into two separate mortgage agreements to finance this purchase.

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. 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 costs and third 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 agreement includes a holdback of $1,000,000 which will be released upon the signing of commercial tenant leases and occupancy. 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 costs and third party were incurred in securing the loan.

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 property units. As possession of the Property did not occur until subsequent to year end there was no rent expense or related revenues. Based on the agreement in place, the minimum rent payment is expected to be approximately $1,275,000 per annum.

GEC Project 6 Land Purchase and Financing

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. Subscriptions for the limited partnerships, GEC LP 6 and GEC LP 7 (Note 4) commenced in September 2016. Approximately $11 million in subscription funds and signed unit subscription agreements have been received from qualified investors for the purchase of limited partnership units for Project 6 and 7. Future subscriptions will be closed in a series of tranches and proceeds from these subscriptions will be used to acquire the lands and to provide deposits for construction this Projects.

NOTE 28 – SUBSEQUENT EVENTS (cont'd)

GEC Project 6 Land Purchase and Financing (cont'd)

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 lender may extend a renewal offer of 12 months in advance of the loan due date. The loan requires monthly repayments of principal of $63,750 and interest to October 1, 2017 and $106,250 principal monthly plus interest until on 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 costs and third party were incurred in securing the loan.

On September 29, 2016, GEC LP 6 purchased five parcels of land located in Metro Vancouver for $17 million, 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.

Development Contract

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. The project is expected to cost approximately $230 million. The parties plan on finalizing the formal Purchase and Sale Agreement before the end of calendar 2016 while preparations for the development application are underway.

Share Purchase Warrants

A total of 168,040 share purchase warrants with exercise prices ranging from $0.25 per share to $0.30 per share were exercised subsequent to August 31, 2016.

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NOTE 29 – 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	**Year Ended August 31, 2016**						
	CIBT (China)	SSDC (Canada)	VIC (Canada)	IRIX (Canada)	GEC (Canada)	Corporate (Canada)	Consolidated
Revenues							
Educational	$ 2,208,235	$ 24,984,123	$ 436,952	$ -	$ -	$ -	$ 27,629,310
Design and advertising	-	-	-	775,266	-	-	775,266
Commissions and referral fees	1,036,372	-	-	-	-	-	1,036,372
Development fees	-	-	-	-	54,292	1,659,445	1,713,737
Rental	-	-	-	-	4,959,459	-	4,959,459
	$ 3,244,607	$ 24,984,123	$ 436,952	$ 775,266	$ 5,013,751	$ 1,659,445	$ 36,114,144
Revenues, net of direct costs	$ 1,277,652	$ 14,341,629	$ 265,916	$ 614,062	$ 1,169,628	$ 1,659,445	$ 19,328,332
Other expenses and items:							
General and administrative	(1,242,034)	(13,315,315)	(155,374)	(714,820)	(593,380)	(3,807,963)	(19,828,886)
Amortization	(136,671)	(647,623)	(3,597)	(19,545)	(57,064)	(5,876)	(870,376)
Share-based payment expense	-	-	-	-	-	(26,758)	(26,758)
Business development costs	-	-	-	-	-	-	-
Interest and other income	7,410	-	-	3,737	634,643	71	645,861
Foreign exchange gain (loss)	13,331	-	-	26,683	(31)	(638)	39,345
Finance costs	-	(43,349)	-	-	(738,908)	-	(782,257)
Finance fees	-	-	-	-	(550,664)	(61,250)	(611,914)
Income (loss) from investment in associates	-	-	-	-	(820,662)	-	(820,662)
Gain on fair value changes in investment properties	-	-	-	-	9,779,146	-	9,779,146
Gain on disposition of education subsidiary	-	3,827,120	-	-	-	-	3,827,120
Gain (loss) on disposal of assets	(8,363)	-	-	-	-	-	(8,363)
Income tax recovery (provision), net	(66,335)	(457,772)	(32,437)	12,077	(967,689)	56,982	(1,455,174)
Inter-segment transactions	133,070	(540,314)	-	31,788	(1,560,508)	1,935,964	-
Net income (loss)	$ (21,940)	$ 3,164,376	$ 74,508	$ (46,018)	$ 6,294,511	$ (250,023)	$ 9,215,414

EXPRESSED IN CANADIAN DOLLARS

NOTE 29 – SEGMENTED INFORMATION (cont'd)

Industry and Geographic Segments	**August 31, 2016**						
	CIBT (China)	SSDC (Canada)	VIC (Canada)	IRIX (Canada)	GEC (Canada)	Corporate (Canada)	Consolidated
Total assets	$ 3,954,852	$ 22,420,475	$ 629,410	$ 171,496	$ 72,448,100	$ 2,722,208	$ 102,346,541
Property and equipment	$ 121,940	$ 1,560,665	$ 70,306	$ 59,789	$ 266,945	$ 23,502	$ 2,103,147
Investment properties	$ -	$ -	$ -	$ -	$ 49,900,000	$ -	$ 49,900,000
Intangible assets	$ 669,208	$ 7,266,972	$ 245,887	$ -	$ -	$ -	$ 8,182,067
Goodwill	$ -	$ 4,403,303	$ 1,318,604	$ -	$ -	$ -	$ 5,721,907
Total liabilities	$ 590,066	$ 14,030,218	$ 554,902	$ 350,757	$ 31,219,935	$ 661,316	$ 47,407,194
Non-controlling interests	$ 62,060	$ -	$ -	$ (226,118)	$ 31,039,589	$ -	$ 30,875,531
Capital expenditures	$ 1,586	$ 304,533	$ 13,189	$ 1,635	$ 137,584	$ -	$ 458,527

EXPRESSED IN CANADIAN DOLLARS

NOTE 29 – SEGMENTED INFORMATION (cont'd)

Industry and Geographic Segments	**Year Ended August 31, 2015**						
	CIBT (China)	SSDC (Canada)	VIC (Canada)	IRIX (Canada)	GEC (Canada)	Corporate (Canada)	Consolidated
Revenues							
Educational	$ 2,260,260	$ 24,988,426	$ -	$ -	$ -	$ -	$ 27,248,686
Design and advertising	-	-	-	1,082,119	-	-	1,082,119
Commissions and referral fees	619,077	-	-	-	-	-	619,077
Development fees	-	-	-	-	-	2,582,023	2,582,023
Rental	-	-	-	-	647,046	-	647,046
	$ 2,879,337	$ 24,988,426	$ -	$ 1,082,119	$ 647,046	$ 2,582,023	$ 32,178,951
Revenues, net of direct costs	$ 1,356,348	$ 15,254,474	$ -	$ 772,430	$ 269,777	$ 2,480,035	$ 20,133,064
Other expenses and items:							
General and administrative	(1,381,759)	(13,697,715)	-	(782,348)	(355,822)	(3,117,884)	(19,335,528)
Amortization	(179,329)	(749,823)	-	(24,490)	(18,116)	(7,776)	(979,534)
Share-based payment expense	-	-	-	-	-	(15,909)	(15,909)
Business development costs	-	-	-	-	-	(90,000)	(90,000)
Interest and other income	17,289	886	-	8,517	-	12,280	38,972
Foreign exchange gain (loss)	194,750	-	-	25,708	-	7,270	227,728
Finance costs	-	(51,843)	-	-	(85,445)	-	(137,288)
Finance fees	-	-	-	-	(418,818)	-	(418,818)
Income (loss) from investment in associates	-	-	-	-	(9,360)	-	(9,360)
Gain on fair value changes in investment properties	-	-	-	-	7,615,175	-	7,615,175
Gain on disposition of education subsidiary	-	-	-	-	-	-	-
Gain (loss) on disposal of assets	-	(65,332)	-	-	-	-	(65,332)
Income tax recovery (provision), net	(69,226)	365,230	-	(15,619)	(854,176)	(388,605)	(962,396)
Inter-segment transactions	106,359	(2,095,719)	-	26,020	-	1,963,340	-
Net income (loss)	$ 44,432	$ (1,039,842)	$ -	$ 10,218	$ 6,143,215	$ 842,751	$ 6,000,774

EXPRESSED IN CANADIAN DOLLARS

NOTE 29 – SEGMENTED INFORMATION (cont'd)

Industry and Geographic Segments	**August 31, 2015**						
	CIBT (China)	SSDC (Canada)	VIC (Canada)	IRIX (Canada)	GEC (Canada)	Corporate (Canada)	Consolidated
Total assets	$ 5,524,339	$ 20,007,115	$ -	$ 229,489	$ 49,083,058	$ 5,822,756	$ 80,666,757
Property and equipment	$ 295,829	$ 1,935,156	$ -	$ 72,001	$ 186,425	$ 29,378	$ 2,518,789
Investment properties	$ -	$ -	$ -	$ -	$ 38,100,000	$ -	$ 38,100,000
Intangible assets	$ 774,554	$ 7,697,822	$ -	$ -	$ -	$ -	$ 8,472,376
Goodwill	$ -	$ 4,793,303	$ -	$ -	$ -	$ -	$ 4,793,303
Total liabilities	$ 746,998	$ 13,319,359	$ -	$ 358,967	$ 28,657,398	$ 1,459,273	$ 44,541,995
Non-controlling interests	$ 1,180,403	$ -	$ -	$ (203,569)	$ 14,541,517	$ -	$ 15,518,351
Capital expenditures	$ 33,976	$ 442,193	$ -	$ 2,915	$ 204,541	$ -	$ 683,625

--- END OF FINANCIAL STATEMENTS ---