



CIBT EDUCATION GROUP INC.

MANAGEMENT'S DISCUSSION & ANALYSIS (EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE STATED)

FOR THE THREE AND SIX MONTHS ENDED FEBRUARY 28, 2017

CIBT EDUCATION GROUP INC.
(the “Company”)
MANAGEMENT’S DISCUSSION & ANALYSIS
FOR THE THREE AND SIX MONTHS ENDED FEBRUARY 28, 2017

The following Management’s Discussion & Analysis (“**MD&A**”) is prepared in accordance with National Instrument 51-102F1, and should be read in conjunction with the consolidated financial statements and related notes for the three and six months ended February 28, 2017 (the “**Q2 Financial Statements**”), which have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) as issued by the International Accounting Standards Board (“**IASB**”). The comparatives in this MD&A have been presented in accordance with IFRS. Additional information about the Company, including its annual information form, are available under the Company’s profile on SEDAR (www.sedar.com).

The forward-looking statements (and their underlying material factors or assumptions) in this MD&A include, without limitation, the following:

1. the students accommodations business is expected to benefit the Company in four ways: structuring fee, steady stream of rental income, ongoing management fees as well as any capital gain upon exit;
2. that students from the Company’s own education subsidiaries and its partner schools will provide a steady supply of students into its student housing projects; the underlying material factors or assumptions are that the Company will become more vertically integrated in the future and that GEC branded housing projects will remain the economical choice for incoming students;
3. the expectation that GEA will successfully complete its programs and add more partner schools and unique programs designed for domestic and international students; the underlying material factor or assumption is that the demand for international students by the Company’s partner schools will continue to grow;
4. the Company’s plans for the proposed education super centers; the underlying material factors or assumptions are that the Company arranges enough equity financing from investment partners and is able to secure loans to enable the respective limited partnerships to buy the GEC Education Mega Center project and GEC Education Super Center project; that the relevant municipalities are receptive to the proposed building plans; and that these projects can be built for a price determined reasonable by the Company and its investment partners; and these projects can be completed in a reasonable amount of time as determined by the Company and the developer; and
5. the Company’s plans for sufficient student centric facilities to be built over a five year period to accommodate up to 10,000 students; the underlying material factors or assumptions are that the Company will be able to continue to arrange the required equity funding from investment partners at the current pace; that the number of future domestic and international students will increase near predicted rates, and that GEC branded housing projects will remain the economical choice for incoming students.

The Company believes the expectations reflected in these forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in, or incorporated by reference into, this MD&A should not be unduly relied upon. These forward-looking statements speak only as of the date of this MD&A, and the Company assumes no obligation to update or review them to reflect new events or circumstances except as required by applicable securities law.

Reference should also be made to the risks described herein under the heading “Risks Related to the Company’s Business” for a discussion of these and other sources of factors underlying forward-looking statements and those additional risks set forth under the heading “Risk Factors” in the Company’s annual information form for the financial year ended August 31, 2016. The Company believes the expectations reflected in the forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in, or incorporated by reference into, this MD&A should not be unduly relied upon. These forward-looking statements speak only as of the date of this MD&A, and the Company assumes no obligation to update or review them to reflect new events or circumstances except as required by applicable securities law.

All figures are in Canadian dollars unless otherwise noted. This MD&A has been prepared as of April 16, 2017. In this MD&A, the following terms have the meanings shown:

“Fiscal 2017” means the fiscal year ending August 31, 2017

“Fiscal 2016” means the fiscal year ending August 31, 2016

“Fiscal 2015” means the fiscal year ending August 31, 2015

“Fiscal 2014” means the fiscal year ending August 31, 2014

“First Quarter of Fiscal 2017” means the three months ended November 30, 2016

“Second Quarter of Fiscal 2017” means the three months ended February 28, 2017

“Third Quarter of Fiscal 2017” means the three months ending May 31, 2017

“Fourth Quarter of Fiscal 2017” means the three months ending August 31, 2017

“First Quarter of Fiscal 2016” means the three months ended November 30, 2015

“Second Quarter of Fiscal 2016” means the three months ended February 29, 2016

“Third Quarter of Fiscal 2016” means the three months ended May 31, 2016

“Fourth Quarter of Fiscal 2016” means the three months ended August 31, 2016

“First Quarter of Fiscal 2015” means the three months ended November 30, 2014

“Second Quarter of Fiscal 2015” means the three months ended February 28, 2015

“Third Quarter of Fiscal 2015” means the three months ended May 31, 2015

“Fourth Quarter of Fiscal 2015” means the three months ended August 31, 2015

NON-IFRS FINANCIAL MEASUREMENTS

The Company has included certain non-IFRS performance measures throughout this document. Earnings before interest, taxes, depreciation and amortization (“**EBITDA**”) are non-IFRS financial metric used in this MD&A. These non-IFRS financial measurements do not have any standardized meaning as prescribed by IFRS, and are therefore unlikely to be comparable to similar measures presented by other issuers. Management uses EBITDA metrics to measure the profit trends of the business units and segments in the consolidated group since it eliminates the effects of financing decisions. Certain investors, analysts and others utilize these non-IFRS financial metrics in assessing the Company’s financial performance. These non-IFRS financial measurements have not been presented as an alternative to net income or loss or any other financial measure of performance prescribed by IFRS. Reconciliation of the non-IFRS measure has been provided throughout this MD&A.

Date of Report – April 16, 2017

CIBT EDUCATION GROUP INC.
MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE THREE AND SIX MONTHS ENDED FEBRUARY 28, 2017

NATURE OF BUSINESS

CIBT Education Group Inc. (the “**Company**”) is an education and student-housing investment company focused on the global education market since 1994. Listed on the Toronto Stock Exchange (the “**TSX**”) under the trading symbol “**MBA**” and quoted on the OTCQX-International under the trading symbol “**MBAIF**”, the Company owns and operates a network of business, technical and language colleges in North America and Asia. Its real estate arm owns and operates a network of serviced apartments and hotels that provide student housing in the Metro Vancouver area, British Columbia.

The Company’s operating entities are as follows:

Legal / Operating Entity	Business Description
CIBT School of Business & Technology Corp. (“ CIBT ” or “ CIBT China ”)	Associate Degree provider offering automotive technical training, English teacher preparation, English as Second Language, and accounting programs in China.
Sprott Shaw College Corp. (“ SSCC ”)	Private career and technical training college offering diplomas and certificates in health care, tourism, hospitality, business, administrative, technical trades, and international studies in Canada.
Sprott Shaw Language College (“ SSLC ”)	English as a Second Language College, offering accredited programs including General English (ESL), College Preparation/Pathway, Business English, Medical English, English Teacher Training, and Summer Camp programs.
Global Education Alliance Inc. (“ GEA ”)	International students’ referral and on-ground concierge services for elite kindergarten, primary, secondary school and university students coming to study in North America.
Vancouver International College (“ VIC ”)	English as a Second Language College, offering accredited programs including General English (ESL), College Preparation/Pathway, Business English, Medical English and IELTS Test Preparation.
Global Education City Holdings Inc. (“ Global Education Holdings ” or “ GEC ”)	Investment holding and management company with focus on student housing real estate projects in Canada such as serviced apartments and hotels for domestic and international students as well as technology professionals in the Metro Vancouver area in British Columbia
IRIX Design Group Inc. (“ IRIX ”)	Design and advertising company which services mainly the real estate industry.

The Company's primary business units consist of CIBT China, SSCC, GEA, VIC, Global Education Holdings, IRIX, and Corporate (head office) functions with the addition, subsequent to the Second Quarter of Fiscal 2017, of SSLC. See “Subsequent Events”.

SUMMARY OF CORPORATE DEVELOPMENTS

During the Second Quarter of Fiscal 2017:

- (a) a subsidiary of the Company acquired, for \$3,100,000, approximately \$12,300,000 of secured debt owed to a Canadian bank by KGIC Inc. (“**KGIC**”) and replaced the bank as KGIC’s senior secured creditor;
- (b) KGIC was placed under receivership, with SSCC being appointed as agent to the Court appointed receiver and manager of the business of KGIC;
- (c) the Company closed a private placement raising \$2,039,940 by the issuance of 3,238,000 units at a price of \$0.63 per unit, each unit consisting of one common share and one-half of one share purchase warrant, with each whole warrant entitling the holder to purchase one common share for a period of one year at a price of \$0.75;
- (d) the Company closed the first tranche of a second private placement, raising \$1,357,400 by the issuance of 2,262,333 units at a price of \$0.60 per unit, each unit consisting of one common share and one-half of one share purchase warrant, with each whole warrant entitling the holder to purchase one common share for a period of two years at a price of \$0.75; and
- (e) the Company received \$4,750,000 of phase 1 equity financing capital associated with the development of the GEC Education Super Center and GEC Education Mega Centre projects during the Second Quarter of 2017, for a total of phase 1 funding of \$17,500,000 associated with these projects.

See “Corporate Developments” and “Subsequent Events” below for further details.

SUMMARY OF QUARTERLY RESULTS

The following table summarizes selected Company financial information for the last eight completed fiscal quarters:

Selected Financial Information	Quarter Ended February 28, 2017 (Second Quarter)	Quarter Ended November 30, 2016 (First Quarter)	Quarter Ended August 31, 2016 (Fourth Quarter)	Quarter Ended May 31, 2016 (Third Quarter)
Total revenues – Continuing operations	\$10,492,521	\$13,979,876	\$8,831,395	\$8,143,563
Net income (loss)	\$1,879,499	\$5,660,983	(\$787,174)	\$9,013,374
Income (loss) per share	\$0.03	\$0.08	(\$0.01)	\$0.05
Net income (loss) - CIBT Education Group Inc. shareholders	\$89,449	\$5,210,614	(\$1,029,597)	\$3,567,232
Income (loss) per share - CIBT Education Group Inc. shareholders	\$0.00	\$0.07	(\$0.01)	\$0.05

Selected Financial Information	Quarter Ended February 29, 2016 (Second Quarter)	Quarter Ended November 30, 2015 (First Quarter)	Quarter Ended August 31, 2015 (Fourth Quarter)	Quarter Ended May 31, 2015 (Third Quarter)
Total revenues – Continuing operations	\$9,774,766	\$9,364,420	\$8,779,190	\$7,968,268
Net income (loss)	\$601,314	\$387,900	\$3,977,341	(\$762,419)
Income (loss) per share	\$0.01	\$0.01	\$0.02	(\$0.00)
Net income (loss) - CIBT Education Group Inc. shareholders	\$855,939	\$512,390	\$1,013,083	(\$289,714)
Income (loss) per share - CIBT Education Group Inc. shareholders	\$0.01	\$0.01	\$0.02	(\$0.00)

Total revenues for continuing operations are predominately driven by: (a) the educational revenues earned from our educational institutions; and (b) the revenue sources generated by our investment in student housing which results in rental revenue, development fees and fair value gains on investment properties. Education revenues are impacted by the addition of new schools such as VIC in May 2016 and increased revenues for SSCC as a result of new curriculum changes which came into place in December 2016 and the streamline of operations.

The Company’s investment into the real estate sector starting in Fiscal 2015 with emphasis on providing student housing services has created a business model that is showing improved results with the addition of each property. As additional student housing is made available rental revenue increases. Development fees are generally associated with the closing of a project and do not represent a quarterly recurring revenue. During the three and six months ended February 28, 2017, development fees of \$1,130,953 and \$5,595,239 were recognized. For GEC projects that are lower in value the duration to complete a deal and recognize the development fee is generally shorter. Due to the significant value associated with the Education Super Center and Education Mega Center projects, efforts and concentrations were placed on these two projects which will take longer to complete but for which the value is much greater than all other GEC projects.

Each quarter, the value of the investment properties is assessed and may result in fair value changes which the Company expects will be gains. During the three and six months ended February 28, 2017, fair value gains of \$2,157,053 and \$4,255,782 were recognized. Development fees and fair value gains result in higher net income as associated costs of earning such income is lower than other revenue.

Net income (loss) attributable to the Company’s shareholders varies depending on the number of non-controlling ownership positions in any given quarter and the result of operations.

PERFORMANCE

The table below describes the financial performance of each main business unit (continuing operations) of the Company, including revenues, revenues net of associated direct costs, and selected expenses.

Selected Financial Information	Quarter Ended February 28, 2017	Quarter Ended February 29, 2016	Absolute Change	Percentage Change
Total revenues	\$10,492,521	\$9,774,766	\$717,755	7.34%
Total revenues net of direct costs – Overall (%)	57.89%	65.38%	-7.49%	-11.46%
Educational revenues – CIBT	\$509,320	\$657,842	(\$148,522)	-22.58%
Educational revenues net of direct costs – CIBT (%)	52.38%	44.34%	8.04%	18.13%
Educational revenues – SSCC	\$6,404,617	\$6,286,539	\$118,078	1.88%
Educational revenues net of direct costs – SSCC (%)	61.68%	57.94%	3.74%	6.46%
Educational revenues – VIC	\$540,734	\$0	\$540,734	100.00%
Educational revenues net of direct costs – VIC (%)	41.39%	0.00%	41.39%	100.00%
Design and advertising revenues – IRIX	\$249,128	\$243,043	\$6,085	2.50%
Design and advertising revenues net of direct costs – IRIX (%)	64.27%	74.80%	-10.54%	-14.09%
Commissions and referral fees – GEA	\$143,751	\$90,912	\$52,839	58.12%
Commissions and referral fees net of direct costs – GEA (%)	13.94%	27.94%	-14.01%	-50.12%
Rental revenues – GEC	\$1,514,018	\$314,698	\$1,199,320	381.10%
Rental revenues net of direct costs – GEC (%)	21.25%	21.46%	-0.21%	-0.99%
Development fees – GEC and Corporate	\$1,130,953	\$2,181,732	(\$1,050,779)	-48.16%
General and administrative expenses	\$5,646,502	\$5,178,162	\$468,340	9.04%
Gain on fair value changes in investment properties	\$2,157,053	\$0	\$2,157,053	100.00%
Net income	\$1,879,499	\$601,314	\$1,278,185	212.57%
Net income – CIBT Education Group Inc. shareholders	\$89,449	\$855,939	(\$766,490)	89.55%
Income per share – CIBT Education Group Inc. shareholders	\$0.00	\$0.01	(\$0.01)	-100.0%
EBITDA [non-IFRS]	\$2,643,351	\$884,978	\$1,758,373	198.69%

REVIEW OF QUARTERLY FINANCIAL RESULTS

For the three months ended February 28, 2017 compared to the three months ended February 29, 2016

Net income was \$1,879,499 for the Second Quarter of 2017 compared to \$601,314 for the Second Quarter of 2016, primarily driven by increased educational revenue, increased net revenues associated with the student housing arm including fair value gains offset by increases in general and administration expenses and increased borrowing costs.

Educational revenues increased mainly as a result of the addition of VIC to the Company's educational portfolio. The remaining increase in revenues was primarily driven by: the increase of rental revenue generated by Global Education Holdings, an increase in fair value gain on property offset by a decrease in development fees earned.

Educational

- CIBT China educational revenues decrease is primarily driven by change in accounting policies which resulted in CIBT consolidating only 60% of revenues as a joint operator

commencing in Third Quarter of 2016, whereas 100% of revenues were consolidated prior to this date. On a 100% basis, CIBT China revenue remained consistent, and margins increased as revenue per student increased and costs associated with certain intangible assets decreased.

- SSCC revenues increased as the finalization of the prior years' regulatory changes has resulted in stabilization of the education sector and also new curriculum changes beginning in the current quarter. The number of international students at SSCC has also increased substantially having a positive impact on the revenue and profit of this subsidiary. Furthermore, revenues of Acenda School of Management, which is no longer operated by SSCC, of \$601,803 were included in the comparative quarter. Taking this into consideration, SSCC revenues increased by 11.5% over the previous quarter.
- VIC assets were purchased in July 2016 and included in the Company's operations thereafter. Revenues increased when compared to the same period last year when VIC was operated by the former owner.

Real Estate and Student Housing

- Global Education Holdings continues to generate rental revenues. The Company has three operating facilities as of February 28, 2017, comprised of two serviced apartments and one hotel. During the First Quarter of 2017, GEC purchased a serviced apartment. The other serviced apartments which was purchased in January 2015, has approximately 45% of its available floors under renovation with an expected completion date of the Third Quarter of 2017. The hotel facility has been fully operational since November 2015. Revenues increased as a result of increased occupancy and also additional rental space becoming available.
- Development fee revenues are a result of the Company's efforts in planning for and developing student centric serviced apartments as well as education centers. Development fee revenues vary depending on activity. In particular, results from Second Quarter of 2017 included development fees earned for completion of phase I of two projects under planning whereas results from Second Quarter of 2016 included development fees earned on a project currently under development and other related fees.
- Fair value gains on investment properties result from the appreciation of the value of land and property since purchase.
- Income (loss) from investments in associates is associated with the Company's percentage holding in one of its projects.

Corporate

- The increase in general and administrative expenses was primarily driven by increased professional fees. The real estate development projects involved heavy use of professionals such as consultants, lawyers, appraisers, engineers, and architects.
- Interest and other income was \$536,008 in Second Quarter 2017 compared to \$81,434 in Second Quarter 2016. Other income consists of: recurring management fees which GEC earns by managing the operating projects and other non-recurring items dependent on the period of activity. Income of \$188,571 was earned in Second Quarter 2017 associated with SSCC acting as agent for the KGIC Inc. transaction.
- Finance costs and fees were \$725,780 in Second Quarter 2017 compared to \$278,175 in Second Quarter 2016. Finance costs include interest on borrowings and accretion of finance fees incurred in arranging the borrowings. The increase is directly related to additional borrowing associated with the purchase of investment properties.

Other

- During the Second Quarter of Fiscal 2017, revenues of IRIX increased nominally. Much of IRIX's business comes from producing marketing materials for the real estate sector. The changing residential real estate market in the Metro Vancouver area may adversely affect IRIX and cause fluctuations in revenues quarter to quarter.
- GEA's revenues increased revenues as a result of its efforts in planning several group programs with VIC as well as other partner schools in Vancouver and bundling its services with student housing offering. These group programs require more synchronized coordination and human resources at the beginning phase are expected to continue to generate positive results in future 2017 quarters.

Selected Financial Information	6 Months Ended February 28, 2017	6 Months Ended February 29, 2016	Absolute Change	Percentage Change
Total revenues	\$24,472,397	\$19,139,186	\$5,333,211	27.87%
Total revenues net of direct costs – Overall (%)	63.13%	63.61%	-0.48%	-0.75%
Educational revenues – CIBT	\$989,608	\$1,402,724	(\$413,116)	-29.45%
Educational revenues net of direct costs – CIBT (%)	47.73%	45.36%	2.37%	5.22%
Educational revenues – SSCC	\$12,570,711	\$12,600,784	(\$30,073)	-0.24%
Educational revenues net of direct costs – SSCC (%)	60.13%	57.73%	2.40%	4.16%
Educational revenues – VIC	\$1,253,321	\$0	\$1,253,321	100.00%
Educational revenues net of direct costs – VIC (%)	46.67%	0.00%	46.67%	100.00%
Design and advertising revenues – IRIX	\$465,010	\$467,866	\$2,856	0.61%
Design and advertising revenues net of direct costs – IRIX (%)	74.43%	74.76%	-0.33%	-0.44%
Commissions and referral fees – GEA	\$419,875	\$386,519	\$33,356	8.63%
Commissions and referral fees net of direct costs – GEA (%)	33.36%	21.07%	12.29%	58.33%
Rental revenues – GEC	\$3,178,633	\$656,485	\$2,522,148	384.19%
Rental revenues net of direct costs – GEC (%)	23.69%	31.50%	-7.81%	-24.79%
Development fees – GEC and Corporate	\$5,595,239	\$3,624,808	\$1,970,431	54.36%
General and administrative expenses	\$10,692,510	\$10,110,368	\$582,142	5.76%
Gain on fair value changes in investment properties	\$4,255,782	\$0	\$4,255,782	100.00%
Net income	\$7,540,482	\$989,214	\$6,551,268	662.27%
Net income – CIBT Education Group Inc. shareholders	\$5,300,063	\$1,368,329	\$3,931,734	287.34%
Income per share – CIBT Education Group Inc. shareholders	\$0.08	\$0.02	\$0.06	300.00%
EBITDA [non-IFRS]	\$8,841,711	\$1,566,183	\$7,275,428	464.54%

	3 Months Ended February 28, 2017	3 Months Ended February 29, 2016	6 Months Ended February 28, 2017	6 Months Ended February 29, 2016
Income	\$1,879,499	\$601,314	\$7,540,482	\$989,214
Add: interest on long-term debt	\$521,329	\$48,267	\$843,164	\$96,773
Add: income tax (recovery) provision	\$0	\$0	\$0	\$0
Add: depreciation and amortization	\$242,523	\$235,397	\$458,065	\$480,196
EBITDA [non-IFRS]	\$2,643,351	\$884,978	\$8,841,711	\$1,566,183

For the six months ended February 28, 2017 compared to the six months ended February 29, 2016

Net income was \$7,540,482 for the six months ended February 28, 2017 compared to \$989,214 for the six months ended February 29, 2016, primarily driven by increased educational revenue, increased net revenues associated with the student housing arm including fair value gains offset by increases in general and administration expenses and increased borrowing costs. Unless otherwise noted below the changes in the Company's results for the year to date period were similar to the three months ended February 28, 2017 discussed above.

Educational

- SSCC revenues decreased in the period as \$1,284,163 of Acsenda School of Management revenues were included in the comparative six months ended February 29, 2016 and are not included in Fiscal 2017 as Acsenda School of Management was sold in July 2016. Taking this into consideration, SSCC revenues increased by \$1,254,090, or 10.0% in the six months ended February 28, 2017.

Real Estate and Student Housing

- The six months ended February 28, 2017 included development fees earned for completion of phase I of projects under planning and the purchase of a serviced apartment whereas results for the six months ended February 29, 2016 included development fees earned on a project currently under development.
- Fair value gains on investment properties result from the appreciation of the value of land and property since purchase. There were no fair value gains in the comparative quarter.

Corporate

- Interest and other income was \$796,292 in the six months ended February 28, 2017 compared to \$82,244 in the comparative period. Other income consists of: recurring management fees which GEC earns by managing the operating projects and other non-recurring items dependent on the period of activity.
- Finance costs and fees were \$1,194,014 in the six months ended February 28, 2017 compared to \$501,158 in the comparative period.

LIQUIDITY AND CAPITAL RESOURCES

The following table summarizes the Company's cash flow activity. The Company's operations have been financed primarily through internal cash flow, debt financing and equity financing in the form of private placements.

Cash flow	3 months ended February 28, 2017	3 months ended February 29, 2016	6 months ended February 28, 2017	6 months ended February 29, 2016
From operations provided by (used in) operating activities	\$2,296,219	\$(653,118)	\$9,226,060	\$(807,451)
From operations (used in) investing activities	\$(1,978,168)	\$(2,118,801)	\$(35,789,803)	\$(3,934,846)
From operations (used in) provided by financing activities	\$(413,849)	\$4,363,246	\$29,150,109	\$4,744,787
Increase (decrease) in cash and cash equivalents	\$(95,798)	\$1,591,327	\$2,586,366	\$2,490
Effects of exchange rate changes on cash and cash equivalents	\$(16,578)	\$6,595	\$33,500	\$1,312
Cash and cash equivalents, beginning of period	\$7,074,212	\$693,216	\$4,341,970	\$2,286,631
Cash and cash equivalents, end of period	\$6,961,836	\$2,235,700	\$6,961,836	\$2,235,700

Cash flow provided from operating activities increased in the three and six months ended February 28, 2017 compared to the three and six months ended February 29, 2016 mainly due to cash provided by higher net income and increases in net changes in net cash working capital including increases in deferred revenue.

Cash used in investing activities for the six months ended February 28, 2017 was mainly the result of the acquisition of an apartment building and a piece of land for a future project, and related property and equipment during the three months ended November 30, 2016. For the other periods, cash used is mainly associated with providing deposits under contracts for the development of projects, the purchase of property and equipment and renovation costs.

During the three months ended February 28, 2017, the Company completed one private placement and the first tranche of a second private placement, issuing 5,500,333 units for gross proceeds of \$3,397,340 associated with the KGIC transaction. In addition, the Company issued shares on the exercise of stock options and also repurchased treasury shares. In conjunction with the KGIC transaction, the Company is due approximately \$5,000,000 associated with the assumption of KGIC debt of \$3,100,000 and funds extended to the Receiver of KGIC and related costs of approximately \$1,900,000. In addition, the Company repaid certain advances from related parties at the end of the prior quarter and made additional borrowing associated with one of its projects. During the three months ended February 29, 2016, cash provided by investing activities was mainly from the advance of amounts from related parties and limited borrowing under current facilities.

During the six months ended February 28, 2017, in addition to the above the Company incurred debt of \$15,300,000 associated with its purchase of a serviced apartment and \$8,500,000 associated with its purchase of land for a new project. In addition, current projects under development provided cash from investing from subscription proceeds from phase 1 investors. During the six months ended February 29, 2016, cash provided by investing activities was mainly from the advance of amounts from related parties and limited borrowing under current facilities.

The following table compares selected financial condition information as at February 28, 2017 and August 31, 2016:

Selected Financial Condition Information	February 28, 2017	August 31, 2016	Dollar Change	Percentage Change
Total assets	\$153,969,290	\$102,346,541	\$51,622,749	50.44%
Cash and cash equivalents	\$6,961,836	\$4,341,970	\$2,619,866	60.34%
Accounts receivable	\$8,680,395	\$6,795,474	\$1,884,921	27.74%
Deferred educational revenue	\$15,242,478	\$11,548,744	\$3,693,734	31.98%
Borrowings	\$53,720,106	\$28,838,064	\$24,882,042	86.28%
Working capital surplus (deficit)	\$594,840	(\$3,994,904)	\$4,589,744	114.89%
Shareholders' equity	\$75,903,457	\$54,939,347	\$20,964,110	38.16%

Total assets increased mainly as the result of:

- Increase in cash and cash equivalents increased as detailed in the six months ended February 28, 2017 cash flow analysis above.
- Addition of investment properties of approximately \$39,000,000, net of deposits;
- Increase in accounts receivable associated with increased educational revenues; and
- Amounts due to Company of approximately \$5,000,000 associated with KGIC transaction.

Total liabilities increased mainly as the result of:

- Deferred educational revenue which reflects strong and consistent enrolment for the Company's educational business that will be earned in the coming quarters when tuition fees are collected, and classes are delivered and revenues recognized; and
- Additional borrowings associated with purchasing investment properties. All borrowings are classified as long-term as the mortgages do not mature within the next twelve months, subject to extension provisions.

CORPORATE DEVELOPMENTS

On January 25, 2017, a subsidiary of the Company ("**CIBT Finance**") completed a Debt Assignment Agreement (the "**Debt Assignment**") to purchase from a Canadian bank (the "**Bank**") approximately \$12,300,000 of secured debt (the "**KGIC Debt**") for \$3,100,000. The KGIC Debt is owed by KGIC Inc. ("**KGIC**"). As a result of the Debt Assignment, CIBT Finance replaced the Bank as KGIC's senior secured creditor. The KGIC Debt has been recorded at its fair value of \$3,100,000 and offset the purchase price of the KGIC's assets which was approved by the Supreme Court of British Columbia (the "**Court**") on March 16, 2017. See "Subsequent Events".

On January 25, 2017, pursuant to an application to the Court made by CIBT Finance, as secured creditor, KGIC was placed under receivership. In addition, Sprott-Shaw College Corp., a subsidiary of the Company, entered into a Management Agreement whereby it was appointed to operate the business of KGIC as agent of and on the behalf of the Court appointed

receiver (the “**Receiver**”). CIBT Finance entered into a term sheet with the Receiver whereby CIBT Finance agreed to provide a senior secured super-priority revolving credit facility, to a maximum of \$3,000,000, to the Receiver to provide receivership funding. Interest accrues at 8.0% per annum, calculated monthly with interest due on settlement. At February 28, 2017, \$1,775,000 had been advanced under this agreement and there was \$19,779 of accrued interest.

Private Placements

On January 25, 2017, the Company closed out of escrow a private placement raising \$2,039,940 by the issuance of 3,238,000 units at a price of \$0.63 per unit. Each unit consists of one common share and one-half of one share purchase warrant, with each whole warrant entitling the holder to purchase one common share for a period of one year at a price of \$0.75. The Company paid cash finder’s fee totaling \$44,100. In addition, the Company issued 66,667 finder’s warrants, each finder’s warrant exercisable for one common share at a price of \$0.75 per share for a period of one year. The securities issued in this private placement are subject to a four month hold period. The proceeds from this private placement were used as partial consideration for the assumption of the KGIC Debt.

On February 22, 2017, the Company closed the first tranche of a second private placement (the “**Second Financing**”), raising \$1,357,400 by the issuance of 2,262,333 units at a price of \$0.60 per unit. Each unit consists of one common share and one-half of one share purchase warrant, with each whole warrant entitling the holder to purchase one common share for a period of two years at a price of \$0.75. The Company paid cash finder’s fee totaling \$55,992. In addition, the Company issued 350,000 finder’s warrants, each finder’s warrant exercisable, for a period of two years, for one common share at a price of \$0.75 per share. The securities issued in this private placement are subject to a four month hold period. The proceeds from this private placement are intended to be used to provide a fund for school acquisition and expansion. On March 10, 2017, the second tranche of this private placement closed.

Nature of Operations and 2017 Outlook

The Company is expecting to see strong performance from SSCC as it has finished curriculum updates, streamlined operations, and has extensive experience in the international students market. SSCC has also expanded its School of Trades in Burnaby, B.C. in the First Quarter of Fiscal 2017 to offer full construction electrician training. As well, the Province of British Columbia is expected to complete changes to its requirements and provide more certainty.

The Company recently acquired VIC in 2016, which recruits and educates, on average, approximately 1,300 international students per year. The benefit of the VIC acquisition is twofold, adding both to the Company’s education assets as well as to the pipeline for its student housing business. Together with SSCC, VIC aims to create pathway programs that will enable international students’ to start with English language training at VIC and then to attend either Sprott Shaw College or transfer to one of CIBT’s academic partner schools throughout the province of B.C. The collaboration projects between Sprott Shaw College and VIC will create synergies that will provide students with more options and choices for their future development. Further, VIC provides the language school platform to create synergy and accretive value for the KGIC acquisition that closed on March 29, 2017.

GEA, a subsidiary of the Company, has signed over 100 agreements to recruit international students for public and private schools in the kindergarten, primary, secondary, career colleges and university sectors. While providing services to education institutions, GEA also provides a variety of student services for international students including visa immigration consulting services via its licensed immigration consulting officers, landing service for newly arrived international students, placement service for accommodations, weekend excursions activities, tutoring, and school referral services. GEA is expecting to add more partner schools to widen its coverage to meet the increasing demand for its services and expertise from international students wishing to study in North America.

The addition of education assets, GEA’s expansion, together with SSCC’s long history (established in 1903) and renewed programs establish a more vertically integrated business model. The students at its partner institutions and its own subsidiaries provide a customer source for the Company’s student housing division, Global Education Holdings. Leveraging off the Company’s existing agent and school network, Global Education Holdings provides short term and long term housing solutions for students. As a secondary market, selected properties can also cater to visiting technology workers. Vancouver’s technology sector is growing at a record rate of 14.5%. With 75,000 employees, the sector is now bigger than oil and gas, forestry, and mining-related activity in the region.¹

The Company completed the acquisition of a downtown Vancouver hotel in Fiscal 2016 to further expand its student accommodations portfolio. Through a limited partnership structure, this hotel was acquired to allow a wider range of short term services and options to be provided under the *GEC* brand. This hotel complements the high-rise long term serviced

¹ <http://www.theglobeandmail.com/news/british-columbia/bc-tech-sector-growing-so-fast-its-hard-to-measure-size-of-industry/article32953219/>

apartment building that the Company acquired in Fiscal 2015. This multipurpose building, with both retail and residential components, is currently being renovated. The targeted completion date of all renovations is the Third Quarter of Fiscal 2017. In the First Quarter of Fiscal 2017, the Company also took possession of a building in Burnaby, B.C. The property consists of both commercial and residential units and will cater to students in that area.

In the First Quarter of Fiscal 2017, the Company completed its purchase of land for the GEC Education Super Center site, which is less than 2 minutes' walking distance from the nearest SkyTrain station. The Company is currently preparing for the rezoning of the site for further development. The proposed plan includes commercial office space for educational institutions, commercial offices, retail and education service companies from around the world wishing to establish a physical presence in the Metro Vancouver area, in addition to the housing options for students that follow the GEC branded model.

In Fiscal 2017, the Company plans to continue to utilize its existing student resources to channel them into Global Education Holding's student housing properties. Tenants in the student housing properties will come from a variety of educational institutions and countries to minimize any institution and country related risks. In the future, Global Education Holding's scalable real estate business is expected to benefit the Company in four ways: structuring fee, steady stream of rental income, ongoing management fees as well as any capital gain upon exit.

The Company is currently working on finalizing the purchase and sale agreement with a local developer for the GEC Education Mega Center. The aggregate projected construction costs of GEC Education Super Center and GEC Education Mega Center are over \$400,000,000. Discussions are underway with accredited and institutional investors to co-invest in each project in partnership with Global Education Holdings, thereby reducing the amount of capital required from the Company. Commercial financing will be sought in lieu of diluting Global Education Holdings' ownership in each project, and vendor financing is also expected in some cases. These projects are aimed to provide 10,000 rental units for students over the next several years.

FINANCIAL INSTRUMENTS RISK EXPOSURE

The Company's risks related to financial instruments, including credit risk, liquidity risk, currency risk and interest rate risk, and CIBT's strategy to manage risks, are described in Note 23 to the consolidated financial statements for the year ended August 31, 2016. As at the date hereof, CIBT believes that there were no significant changes to those risks during the six months ended February 28, 2017, except as noted below:

Liquidity risk

During the three and six months ended February 28, 2017, the Company generated operating cash flows from continuing operations, of \$2,296,219 and \$9,226,060, respectively (three and six months ended February 29, 2016 – cash used of \$653,118 and \$807,451, respectively). At February 28, 2017, the Company held \$6,961,836 (August 31, 2016 - \$4,341,970) of cash and cash equivalents, and had working capital of \$594,840 (August 31, 2016 – deficit of \$3,994,904). The Company has access to an undrawn demand operating credit facility of \$1,500,000. In March 2017, another Canadian chartered bank agreed to enter into a \$5,000,000 term loan and demand operating credit facility which is expected to replace the Company's current credit facility of \$1,500,000 in April 2017.

The Company closed two private placements in the Second Quarter of 2017 as discussed above under Private Placements which added to the liquidity of the Company.

In October 2016, a first mortgage for a total of \$12,000,000 due 24 months from November 1, 2016 bearing interest of 4.2% per annum was executed. Partial or full repayment of the loan before maturity date is permitted with no penalty. In addition, a second mortgage was obtained for a total of \$4,300,000 due 27 months from November 1, 2016 bearing interest for the first 24 months at the greater of: (a) the annual TD Canada Trust prime rate, plus 7.30%; and (b) 10.0%. For the remaining three months of the term interest is the greater of: (a) prime rate plus 11.3%; and (b) 14%. An interest reserve of \$300,000 was paid from the proceeds but will only be available to be drawn down by \$25,000 monthly thereafter requiring Company to provide additional funds. The lender may extend a renewal offer of six months in advance of the loan due date. The loan requires repayments of monthly interest only, with all amounts due on February 1, 2019 or on demand in the case of default. The loan may be repaid in its entirety with 60 days written notice and subject to minimum interest reserves and penalties. The assets of the investment property purchased and other guarantees collateralize the borrowings.

In September 2016, a first mortgage for a total of \$8,500,000 due 13 months from October 1, 2016 bearing interest for the first 12 months at a rate of 9% per annum compounded monthly and interest for the last month at 15% compounded monthly was executed. The borrower has a one-time right to extend the maturity date of the loan by 12 months in advance of the loan due date subject to certain provisions. The loan requires monthly repayments of \$63,750 to October 1, 2017 and \$106,250 thereafter until all amounts are paid. The loan is not eligible for prepayment before June 1, 2017 after which it may be

prepaid in no less than \$50,000 increments. The assets purchased and other guarantees collateralize the borrowing.

The following tables summarize the obligations of the Company's financial liabilities and operating commitments as at February 28, 2017:

	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	\$ 4,911,759	\$ -	\$ -	\$ 4,911,759
Income taxes payable	113,586	-	-	113,586
Due to related parties	1,136,241	-	-	1,136,241
Finance leases	91,206	451,056	-	542,262
Borrowings	13,638	53,706,468	-	53,720,106
	<u>\$ 6,266,430</u>	<u>\$ 54,157,524</u>	<u>\$ -</u>	<u>\$ 60,423,954</u>

Real Estate Projects

At February 28, 2017, a total of approximately \$57,750,000 (August 31, 2016 - \$72,500,000) has been committed on the purchase of certain real estate projects, \$34,000,000 (August 31, 2016 - \$48,750,000) of which \$34,000,000 is currently expected to be incurred in 2018 with the remainder within the next five years. These capital commitments do not include costs for renovation, furnishings, closing costs or taxes and will be funded by capital contributions of investors in the various projects and not represent a net cash outflow for the Company. Global Education Holdings is committed to contribute \$1,905,000 within the next fiscal year associated with required limited partnership funding requirements. Costs of approximately \$1,900,000 have been committed for renovations for one of the Company's buildings to be completed in the Third Quarter of 2017.

Interest Rate Risk

During the six months ended February 28, 2017, the Company made additional borrowings, some of which have higher interest rates at the end of each instrument.

TRANSACTIONS WITH RELATED PARTIES AND INVESTMENT PARTNERS

Significant transactions between the Company and the following related parties are as follows. References to GEC Projects below are references to the project held by GEC associated with the student housing arm of the business.

	February 28, 2017	August 31, 2016
Accounts receivable - Weifang University (1)	\$ 4,517,070	\$ 2,139,876
Accounts payable - Weifang University (1)	\$ 1,064,960	\$ 260,551
Due from officers, employees, directors and non-arm's length investors (2)	\$ 2,715,014	\$ 2,329,947
Due to officers, employees, directors and non-arm's length investors (3)	\$ 1,136,241	\$ 1,016,825

- 1) CIBT has a business venture with Weifang University with a 60% interest in Beihai College. Beihai College is a Chinese Government approved college which has been in operation since 2002. Effective July 1, 2007, the Chinese Government implemented a new cash management policy affecting Beihai College. The tuition fees of Beihai College are required to be directly remitted to the local Chinese Government when tuition fees are received, and the funds are held by the Chinese Government under the account of Weifang. Beihai College can receive funds for its operations from Weifang on an as needed basis up to the amount of the tuition fees collected.

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

	February 28, 2017	August 31, 2016
Due from Investor of GEC Project 2	\$ 635,000	\$ 635,000
Due from Developer of GEC Project 5	500,000	1,004,795
Due from GEC LP 4	796,364	461,000
Due from Beihai College	283,650	229,152
	<u>\$ 2,715,014</u>	<u>\$ 2,329,947</u>

Amount due from Developer of GEC Project 5 bears interest at 5% per annum and is due upon completion and closing of the project. Amount due from an investor of GEC Project 2 is non-interest bearing with no set terms of payment and will be repaid through additional funding of GEC Project 2 LP by an Investor. Amount due from an

investor of GEC Project 7 is for subscription to limited partnership units, which were received from the investor subsequent to February 28, 2017. 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) The amount due to officers, employees, directors and non-arm's length investors is comprised of the following:

	February 28, 2017	August 31, 2016
Due to officers and directors of the Company	\$ 184,403	\$ 1,363
Due to the President of IRIX	179,840	187,237
Due to third-party investor of GEC Project 3	771,998	828,225
	<u>\$ 1,136,241</u>	<u>\$ 1,016,825</u>

The amount due to third-party investors of GEC Project 3 bears interest at 5% per annum and has no fixed terms of repayment. All other amounts due are non-interest bearing and have no fixed terms of repayment. Transactions with related parties are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

During the six months ended February 28, 2017 and February 29, 2016, respectively, the Company and its subsidiaries incurred a total of \$630,392 (2016 – \$335,520) for management fees and salaries paid to certain directors and officers employed by the Company and its subsidiaries.

OUTSTANDING SHARE DATA

As at April 16, 2017 the following common shares, stock options and warrants were outstanding:

- 76,736,175 common shares of the Company issued and outstanding;
- 345,000 stock options outstanding to certain employees, officers and directors providing the right to purchase up to 345,000 shares at prices ranging from \$0.37 per share to \$0.41 per share exercisable at dates ranging from July 10, 2019 to August 5, 2021;
- 5,442,762 share purchase warrants outstanding at prices ranging from \$0.25 per share to \$0.75 per share exercisable at dates ranging from July 10, 2017 to March 10, 2019.

ACCOUNTING MATTERS

BASIS OF PRESENTATION

The Company's unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 - *Interim Financial Reporting* ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain disclosures included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the IASB have been condensed or omitted.

These unaudited condensed consolidated interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended August 31, 2016. The accounting policies applied in the preparation of these unaudited condensed interim consolidated financial statements are consistent with those applied and disclosed in the Company's audited consolidated financial statements for the year ended August 31, 2016. The Company's significant accounting policies are described in Note 2 of the Company's consolidated financial statements for the year ended August 31, 2016.

CRITICAL JUDGEMENTS AND ESTIMATES

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

In preparing the Company's unaudited condensed consolidated interim financial statements for the three months ended February 28, 2017, the Company applied the critical judgements and estimates, including significant areas of estimation uncertainty in applying these policies, disclosed in Note 2 of its audited consolidated financial statements for the year ended August 31, 2016.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

There were no material deficiencies in the Company's internal controls over financial reporting during the Second Quarter of Fiscal 2017. There were no changes in the Company's internal controls over financial reporting that have materially affected, or are reasonably likely to have materially affected, the Company's internal controls over financial reporting during the Second Quarter of Fiscal 2017.

RISKS RELATED TO THE COMPANY'S BUSINESS

The Company's business, financial condition, operating results and prospects are subject to a number of risks and uncertainties which include but are not limited to the following:

- history of losses from operations
- fluctuation of real estate prices
- interest rate increases
- slow-down of international students entering into Canada
- construction delay
- rising construction cost
- need for additional capital to expand operations
- dependence on key personnel, the Company's facility providers and educational service providers in China
- risks involving the Chinese legal system, tax system, and foreign currency limitation
- ability to compete effectively with competitors that have greater financial, marketing and other resources
- the Company's reliance upon third parties
- ability to manage planned growth and integrate new business opportunities into existing operations
- risks related to government regulations and obtaining required approvals
- the possibility that personal information that the Company collects may be vulnerable to breach, theft or loss,

which could subject the Company to liability or adversely affect its reputation and operations

A more detailed description of the above risks and uncertainties, and others, can be found under the heading “Risk Factors” in the Company’s annual information form for Fiscal 2016 filed on SEDAR at www.sedar.com.

SUBSEQUENT EVENTS

On March 15, 2017, the Company reported that Court approval had been received to the acquisition by CIBT Finance to acquire substantially all of the operating assets of KGIC. Pursuant to an order of the Court made on March 15, 2017, the Court approved an asset purchase agreement for the purchase by the Company’s designated subsidiaries of substantially all of the operating assets of KGIC (the “**Transaction**”). The Transaction closed on March 29, 2017. To the date of the Transaction, an additional amount of \$800,000 was advanced to the Receiver, for a total amount advanced of \$2,575,000 plus accrued interest of \$24,436. The amount due from the Receiver offset the purchase price for the KGIC assets.

Subject to TSX approval and execution of definitive agreements, the Company has agreed to issue convertible debentures in the maximum aggregate principal sum of \$1,500,000 in consideration for the acquisition of certain assets from arm’s length parties. The debentures, which will mature in five years and will bear interest at the rate of 4% per annum, will be convertible by the holders into common shares of the Company at a price of \$0.79 per share. The debentures will also be convertible by the Company upon the achievement of a specified milestone. TSX approval was obtained April 6, 2017 but definitive agreements have not yet been executed.

On March 10, 2017, the Company closed the second tranche of the Second Financing, raising \$860,999 by the issuance of 1,434,999 units at a price of \$0.60 per unit. Each unit consists of one common share and one-half of one share purchase warrant, with each whole warrant entitling the holder to purchase one common share for a period of two years at a price of \$0.75. The Company paid cash finder’s fee totaling \$45,150. In addition, the Company issued 75,250 finder’s warrants, each finder’s warrant exercisable, for a period of two years, for one common share at a price of \$0.75 per share. The securities issued in the second tranche of the Second Financing are subject to a four month hold period. The net proceeds are intended to be used to provide a fund for school acquisition and expansion.