CIBT EDUCATION GROUP INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FEBRUARY 28, 2017

UNAUDITED

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF INCOME (LOSS)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102, the Company discloses that its external auditors have not reviewed the accompanying condensed consolidated interim financial statements, notes to the condensed consolidated interim financial statements and the related Management's Discussion and Analysis.

CIBT EDUCATION GROUP INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited)

	February 28, 2017	August 31, 2016
ASSETS		
CURRENT		
Cash and cash equivalents	$ 6,961,836	$ 4,341,970
Restricted cash	292,972	148,001
Accounts receivable	8,680,395	6,795,474
Receivables associated with KGIC acquisition	5,069,393	-
Prepaid expenses	614,729	695,716
Inventory	484,423	363,293
TOTAL CURRENT ASSETS	22,103,748	12,344,454
DUE FROM RELATED PARTIES	2,715,014	2,329,947
DEPOSIT RESERVE	1,350,321	897,613
PROPERTY AND EQUIPMENT	2,970,152	2,103,147
INVESTMENT PROPERTIES	92,114,670	49,900,000
DEFERRED COSTS	2,086,062	1,522,116
REFUNDABLE DEPOSITS	12,900,000	15,800,000
INVESTMENT IN ASSOCIATES	1,271,380	1,453,445
INTANGIBLE ASSETS	8,644,191	8,182,067
GOODWILL	5,721,907	5,721,907
DEFERRED INCOME TAX ASSETS	2,091,845	2,091,845
TOTAL ASSETS	$ 153,969,290	$ 102,346,541
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$ 4,911,759	$ 3,000,520
Income taxes payable	113,586	114,836
Deferred educational revenue	15,242,478	11,548,744
Current portion of finance lease obligations	91,206	164,795
Current portion of borrowings	13,638	493,638
Due to related parties and investment partners	1,136,241	1,016,825
TOTAL CURRENT LIABILITIES	21,508,908	16,339,358
FINANCE LEASE OBLIGATIONS	451,056	324,009
BORROWINGS	53,706,468	28,344,426
DEFERRED INCOME TAX LIABILITIES	2,399,401	2,399,401
TOTAL LIABILITIES	78,065,833	47,407,194
EQUITY		
SHARE CAPITAL	52,380,768	49,024,991
RESERVES	5,563,513	5,669,832
DEFICIT	(25,568,834)	(30,868,897)
ACCUMULATED OTHER COMPREHENSIVE INCOME	268,111	237,890
EQUITY ATTRIBUTABLE TO CIBT EDUCATION GROUP INC. SHAREHOLDERS	32,643,558	24,063,816
NON-CONTROLLING INTERESTS	43,259,899	30,875,531
TOTAL EQUITY	75,903,457	54,939,347
TOTAL LIABILITIES AND EQUITY	$ 153,969,290	$ 102,346,541

Approved on behalf of the Board:

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

"Troy Rice"
Troy Rice, Director

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

	Three Months Ended February 28, 2017	Three Months Ended February 29, 2016	Six Months Ended February 28, 2017	Six Months Ended February 29, 2016
REVENUES				
Educational	$ 7,454,671	$ 6,944,381	$ 14,813,640	$ 14,003,508
Design and advertising	249,128	243,043	465,010	467,866
Commissions and referral fees	143,751	90,912	419,875	386,519
Development fees	1,130,953	2,181,732	5,595,239	3,624,808
Rental	1,514,018	314,698	3,178,633	656,485
	10,492,521	9,774,766	24,472,397	19,139,186
DIRECT COSTS				
Educational	3,013,604	3,010,410	6,198,050	6,092,838
Design and advertising	89,017	61,235	118,911	118,071
Commissions and referral fees	123,717	65,509	279,814	305,094
Rental	1,192,269	247,149	2,425,607	449,687
	4,418,607	3,384,303	9,022,382	6,965,690
OTHER EXPENSES				
General and administrative	5,646,502	5,178,162	10,692,510	10,110,368
Amortization (excluding agency fees)	242,523	235,397	458,065	480,196
Share-based payment expense	6,185	248	12,437	498
	5,895,210	5,413,807	11,163,012	10,591,062
OPERATING INCOME (LOSS)	178,704	976,656	4,287,003	1,582,434
INTEREST AND OTHER INCOME	536,008	81,434	796,292	82,244
FOREIGN EXCHANGE GAIN (LOSS)	(9,988)	(35,587)	(51,580)	(20,101)
FINANCE COSTS	(521,329)	(48,267)	(843,164)	(96,773)
FINANCE FEES	(204,451)	(229,908)	(350,850)	(404,385)
INCOME (LOSS) FROM INVESTMENT IN ASSOCIATES	(256,498)	(143,514)	(558,399)	(145,842)
GAIN ON FAIR VALUE CHANGES IN INVESTMENT PROPERTIES	2,157,053	-	4,255,782	-
GAIN (LOSS) ON DISPOSAL OF ASSETS	-	500	5,398	(8,363)
INCOME (LOSS) BEFORE INCOME TAXES	1,879,499	601,314	7,540,482	989,214
INCOME TAXES				
Current income tax expense (recovery)	-	-	-	-
	-	-	-	-
INCOME (LOSS) FROM CONTINUING OPERATIONS	1,879,499	601,314	7,540,482	989,214
INCOME (LOSS) FROM DISCONTINUED OPERATIONS	-	-	-	-
NET INCOME (LOSS)	$ 1,879,499	$ 601,314	$ 7,540,482	$ 989,214
ATTRIBUTABLE TO:				
CIBT Education Group Inc. shareholders	$ 89,449	$ 855,939	$ 5,300,063	$ 1,368,329
Non-controlling interests	1,790,050	(254,625)	2,240,419	(379,115)
NET INCOME (LOSS)	$ 1,879,499	$ 601,314	$ 7,540,482	$ 989,214
BASIC AND DILUTED INCOME (LOSS) PER COMMON SHARE - CONTINUING OPERATIONS	$ 0.03	$ 0.01	$ 0.11	$ 0.01
BASIC AND DILUTED INCOME (LOSS) PER COMMON SHARE - DISCONTINUED OPERATIONS	0.00	0.00	0.00	0.00
BASIC AND DILUTED INCOME (LOSS) PER COMMON SHARE - CONTINUING AND DISCONTINUED OPERATIONS	$ 0.03	$ 0.01	$ 0.11	$ 0.01
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING				
Basic	70,096,442	68,599,610	68,998,102	68,681,182
Diluted	71,937,941	68,599,610	71,114,573	68,681,182

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

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

	Three Months Ended February 28, 2017	Three Months Ended February 29, 2016	Six Months Ended February 28, 2017	Six Months Ended February 29, 2016
NET INCOME (LOSS)	$ 1,879,499	$ 601,314	$ 7,540,482	$ 989,214
OTHER COMPREHENSIVE INCOME (LOSS):				
Unrealized foreign exchange translation adjustment	(19,906)	(36,874)	29,420	(7,040)
	$ 1,859,593	$ 564,440	$ 7,569,902	$ 982,174
ATTRIBUTABLE TO:				
CIBT Education Group Inc. shareholders	$ 70,242	$ 823,031	$ 5,330,284	$ 1,159,525
Non-controlling interests	1,789,351	(258,591)	2,239,618	(177,351)
	$ 1,859,593	$ 564,440	$ 7,569,902	$ 982,174

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

	Share Capital		Reserves				Accumulated Other Comprehensive Income (Loss)	Deficit	Total Shareholders' Equity	Non-Controlling Interests	Total Equity
	Number of Common Shares	Dollar Amount	Warrants	Share-Based Payments	Ownership Changes	Treasury Shares					
Balance, August 31, 2015	68,830,753	$ 49,115,490	$ 2,291,662	$ 3,533,306	$ 78,314	$ (19,198)	$ 381,698	$ (34,774,861)	$ 20,606,411	$ 15,518,351	$ 36,124,762
Unrealized translation adjustments	-	-	-	-	-	-	(208,804)	-	(208,804)	201,764	(7,040)
Net income (loss) for the period	-	-	-	-	-	-	-	1,368,329	1,368,329	(379,115)	989,214
							(208,804)	1,368,329	1,159,525	(177,351)	982,174
Share-based payments	-	-	-	498	-	-	-	-	498	-	498
Changes in ownership interests - GECLP1	-	-	-	-	(27,578)	-	-	-	(27,578)	-	(27,578)
Purchase of treasury shares	-	-	-	-	-	(124,140)	-	-	(124,140)	-	(124,140)
Balance, February 29, 2016	68,830,753	49,115,490	2,291,662	3,533,804	50,736	(143,338)	172,894	(33,406,532)	21,614,716	15,341,000	36,955,716
Unrealized translation adjustments	-	-	-	-	-	-	64,996	-	64,996	(208,743)	(143,747)
Net income (loss) for the period	-	-	-	-	-	-	-	2,537,635	2,537,635	5,688,565	8,226,200
							64,996	2,537,635	2,602,631	5,479,822	8,082,453
Share-based payments	-	-	-	26,260	-	-	-	-	26,260	-	26,260
Non-controlling interests contributions	-	-	-	-	-	-	-	-	-	11,114,400	11,114,400
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	-	-	-	-	-	(227,334)	-	-	(227,334)	-	(227,334)
Treasury share cancellations	(672,300)	(196,817)	-	-	-	196,817	-	-	-	-	-
Shares issued - stock option exercises	75,000	22,500	-	(3,750)	-	-	-	-	18,750	-	18,750
Shares issued - share warrant exercises	242,150	83,818	(18,155)	-	-	-	-	-	65,663	-	65,663
Balance, August 31, 2016	68,475,603	49,024,991	2,273,507	3,556,314	13,866	(173,855)	237,890	(30,868,897)	24,063,816	30,875,531	54,939,347
Unrealized translation adjustments	-	-	-	-	-	-	30,221	-	30,221	(801)	29,420
Net income (loss) for the period	-	-	-	-	-	-	-	5,300,063	5,300,063	2,240,419	7,540,482
							30,221	5,300,063	5,330,284	2,239,618	7,569,902
Share-based payments	-	-	-	12,437	-	-	-	-	12,437	-	12,437
Non-controlling interests contributions	-	-	-	-	-	-	-	-	-	10,144,750	10,144,750
Purchase of treasury shares	-	-	-	-	-	(661,512)	-	-	(661,512)	-	(661,512)
Treasury share cancellations	(1,238,700)	(671,162)	-	-	-	671,162	-	-	-	-	-
Shares issued - stock option exercises	1,770,000	564,901	-	(139,351)	-	-	-	-	425,550	-	425,550
Shares issued - share warrant exercises	598,940	185,997	(10,262)	-	-	-	-	-	175,735	-	175,735
Shares issued - private placement	5,500,333	3,397,340	-	-	-	-	-	-	3,397,340	-	3,397,340
Shares issuance costs - cash	-	(100,092)							(100,092)		(100,092)
Shares issuance costs - broker warrants	-	(21,207)	21,207	-	-	-	-	-	-	-	-
Balance, February 28, 2017	75,106,176	$ 52,380,768	$ 2,284,452	$ 3,429,400	$ 13,866	$ (164,205)	$ 268,111	$ (25,568,834)	$ 32,643,558	$ 43,259,899	$ 75,903,457

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

CIBT EDUCATION GROUP INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended February 28, 2017	Three Months Ended February 29, 2016	Six Months Ended February 28, 2017	Six Months Ended February 29, 2016
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES				
Net income (loss)	$ 1,879,499	$ 601,314	$ 7,540,482	$ 989,214
Adjusted for items not involving cash:				
- amortization (including agency fees)	242,523	235,397	458,065	995,990
- share-based payment expense	6,185	248	12,437	498
- (gain) loss on disposal of assets	-	(500)	(5,398)	8,363
- gain from changes in ownership investment interests	256,498	143,514	554,333	145,842
- gain on fair value changes in investment properties	(2,157,053)	-	(4,255,782)	-
- finance fees	204,451	229,908	350,850	404,385
- development fees	-	(3,088,016)	-	(3,088,016)
	432,103	(1,878,135)	4,654,987	(543,724)
Net changes in non-cash working capital items	1,864,116	1,225,017	4,571,073	(263,727)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	2,296,219	(653,118)	9,226,060	(807,451)
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES				
Purchases of property and equipment	(173,201)	(251,555)	(1,129,726)	(364,576)
Investment property	(1,181,971)	(168,967)	(33,314,539)	(404,806)
Restricted cash	(145,333)	(1,007,281)	(144,971)	(1,009,509)
Equity investments	(183,456)	-	(376,334)	-
Deposits on real estate properties	-	(2,725,000)	(100,000)	(3,525,000)
Acquisition of intangible assets	(247,361)	2,136	(538,979)	(662,821)
Refundable deposit on sale of assets	(46,846)	2,031,866	(185,254)	2,031,866
NET CASH FROM (USED IN) INVESTING ACTIVITIES	(1,978,168)	(2,118,801)	(35,789,803)	(3,934,846)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES				
Proceeds from issuance of shares	3,837,273	-	3,898,533	-
Treasury share transactions	(305,948)	(124,140)	(661,512)	(124,140)
Advances from related parties	(2,586,596)	3,999,386	(2,660,856)	4,096,065
Receivables associated with KGIC acquisition	(5,069,393)	-	(5,069,393)	-
Non-controlling interest capital contributions	3,681,750	-	10,144,750	-
Finance lease obligation	(43,705)	(32,203)	(63,713)	(71,739)
Borrowing repayments	(3,410)	-	(486,820)	-
Borrowing advances	937,291	542,808	25,737,291	856,900
Capitalized borrowing costs	(352,470)	-	(701,530)	-
Deferred costs	(508,641)	(22,605)	(986,641)	(12,299)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	(413,849)	4,363,246	29,150,109	4,744,787
NET (DECREASE) INCREASE IN CASH	(95,798)	1,591,327	2,586,366	2,490
EFFECTS OF EXCHANGE RATE CHANGES ON CASH	(16,578)	6,595	33,500	1,312
CASH AND CASH EQUIVALENTS IN ASSETS HELD FOR SALE	-	(55,438)	-	(54,733)
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

NOTE 1 – DESCRIPTION OF BUSINESS AND NATURE OF OPERATIONS

Nature of operations

CIBT Education Group Inc. (the "Company") is an educational management organization headquartered in Vancouver, British Columbia, Canada. The Company's current business operations include education, media communications, income producing property and real estate development. The Company currently has five principal business units/segments, being CIBT School of Business & Technology ("CIBT"), Sprott-Shaw College ("SSCC"), IRIX Design Group ("IRIX"), Global Education City Holdings ("GEC"), and Vancouver International College ("VIC"). VIC is a recently acquired English language school. The Company's education business is conducted through CIBT and its subsidiaries in Asia, and through SSCC and VIC in Canada. The Company operates its media communications business through IRIX and its subsidiaries. IRIX is based in Canada with representatives in Hong Kong and the United States. During fiscal 2014, the Company established a new business operation called GEC, which is an investment holding and management company with a focus on education related real estate projects in Canada.

The head office, principal address, and registered and records office of the Company are located at Suite 1200, 777 West Broadway, Vancouver, British Columbia, Canada.

NOTE 2 – BASIS OF PREPARATION

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

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

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

The financial statements were approved by the Company's Board of Directors and authorized for issue on April 16, 2017.

Significant accounting judgements and key sources of estimate uncertainty

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

In preparing the Company's unaudited condensed consolidated interim financial statements for the three and six 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.

NOTE 3 – REAL ESTATE DEVELOPMENT

The Company and certain of its subsidiaries entered into several agreements and organizational transactions in connection with the development of the Company's student housing arm. In particular, the Company is developing a network of student centric serviced apartments for rental to domestic and foreign students studying in the Lower Mainland region of British Columbia and to provide various services to the students and their families. The following wholly-owned subsidiaries are involved with these transactions: Global Education City Holdings Inc. ("GEC Holdings"), CIBT Group Holdings Inc. ("CIBT Holdings"), Global Education City Management Corp. ("GEC Mgmt."), and Global Education City (Granville) Management Corp. ("GEC Granville Mgmt.").

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

The First Project (the "GEC Project 1")

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

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

In addition, during February 2016, CIBT Holdings entered into a revised agreement with the developer related to the purchase of the GEC Property 1 to add an additional lot of land for a total purchase price of $28,050,000 for the Project. CIBT Holdings is required to pay an additional $1,800,000 of deposits in addition to the $3,000,000 already paid and assigned to GEC LP1 A. At February 28, 2017, refundable deposits of $4,300,000 (August 31, 2016 – $4,300,000) were paid resulting in future commitments of $23,750,000. Concurrent with this agreement, CIBT Holdings entered into an agreement to sell its revised interest in GEC Property 1 on completion of the project to GEC LP 1A.

In March 2016, a limited partnership was formed known as ("GEC LP1 A"). Upon completion of the funding of the GEC LP1A, the limited partnership units will be owned 20.6% by GEC Holdings and the remainder by the other limited partners. During the year ended August 31, 2016, GEC Holdings contributed a total of $2,500,000 for its partnership units. Management has determined that the Company and certain of its subsidiaries have control over GEC LP1 A, notwithstanding that GEC Holdings holds only 23.0% of the voting units in GEC LP1 A as at February 28, 2017. 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 February 28, 2017, and for the periods since formation, GEC LP 1A had limited operations.

NOTE 3 – REAL ESTATE DEVELOPMENT (cont'd)

The Second Project (the "GEC Project 2")

In May 2014, CIBT Holdings entered into an agreement with a developer whereby CIBT Holdings agreed to purchase certain real property and future planned development thereon ("GEC Property 2"). CIBT Holdings will pay a total of $42,500,000 in a series of deposits which are refundable prior to closing should the developer not achieve certain developmental milestones. The final balance is due at the closing following receipt of an occupancy permit. As at February 28, 2017, refundable deposits of $8,500,000 (August 31, 2016 – $8,500,000) were paid resulting in future commitments of $34,000,000. Concurrent with the first agreement, CIBT Holdings entered into an agreement to sell its interest in GEC Property 2 on completion of the project to a limited partnership ("GEC LP 2").

Management has determined that the Company and certain of its subsidiaries have control over GEC LP 2 and, accordingly, have consolidated the results of GEC LP 2 for the period subsequent to its formation. Notwithstanding the fact that GEC Holdings owns less than the majority of voting units at February 28, 2017 and August 31, 2016, the GEC LP 2 Agreement does not allow for the removal of the general partner unless 66% of the units are voted to effect this change. Furthermore, as the general partner and GEC Mgmt. will direct the business of the partnership they are considered to have control.

GEC Holdings has committed to contribute total of $4,455,000 for its partnership units. At February 28, 2017, GEC Holdings had made capital contributions of $2,550,000 (August 31, 2016 – $2,250,000) into GEC LP 2 and holds 42.81% (August 31, 2016 – 42.81%) of the voting units in GEC LP 2. The balance of $1,905,000 of capital contribution is due in various stages before the completion of the Project. Upon completion of the funding of the GEC LP 2, the limited partnership units will be owned 38.5% by GEC Holdings and 61.5% by the other limited partners. As of February 28, 2017, and for the periods since formation, GEC LP 2 had limited operations.

The Third Project (the "GEC Project 3")

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

Management has determined that the Company and certain of its subsidiaries have control over GEC LP 3 and, accordingly, have consolidated the results of GEC LP 3 for the period subsequent to its formation, notwithstanding the fact that GEC Holdings owns less than the majority of voting units (20%) at February 28, 2017 and August 31, 2016. Rights held by the 60% limited partner were determined to be protective and not substantive, and did not preclude the Company having control.

Beginning January 1, 2016 and continuing until December 31, 2021, one limited partner will receive a preferred return during each year (not compounded) in an amount equal to 8.5% of its capital contribution when cash distributions are made, which is guaranteed by the general partner of GEC LP 3. At February 28, 2017, there were no cash distributions made to date.

In conjunction with the purchase of the Property, the Company entered into a head lease agreement with the limited partnership which requires the Company to pay minimum and additional rents for the residential units located in the building. During the three and six months ended February 28, 2017, the Company expensed $425,083 and $847,787 (2016 – $247,164 and $446,681) under the head lease agreement.

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 three months ended February 29, 2016.

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

NOTE 3 – REAL ESTATE DEVELOPMENT (cont'd)

The Fourth Project ("GEC Project 4") (cont'd)

In conjunction with the purchase of the hotel, GEC Granville Mgmt. entered into a head lease agreement with the limited partnership which requires the Company to pay minimum and additional rents for the residential units located in the hotel. During the three and six months ended February 28, 2017, the Company expensed $1,156,047 and $2,395,154 (2016 - $670,181 and $774,431) under the head lease agreement, and earned $1,038,157 and $2,232,569 (2016 - $ 668,558 and $718,669) of rental revenue from the operations of the property for the same period.

The Fifth Project ("GEC Project 5")

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

Management has determined that the Company and certain of its subsidiaries have control over GEC LP 5 and, accordingly, have consolidated the results of GEC LP 5 for the period subsequent to formation, notwithstanding the fact that GEC Holdings owns less than the majority of voting units (25%) at February 28, 2017 and August 31, 2016. Rights held by a group of limited partners who own 60% of the limited partnership were determined to be protective and not substantive, and did not preclude the Company having control.

In conjunction with the purchase of the Property, the Company entered into a head lease agreement with the limited partnership which requires the Company to pay minimum and additional rents for the commercial units, residential units and parking. During the three and six months ended February 28, 2017, the Company expensed $318,232 and $434,575 under the head lease agreement.

In connection with the GEC Project 5, the Company recognized development fees of $1,428,571 in the three months ended November 30, 2016 for services provided related to negotiating the purchase and sale agreement and organizing the formation of GEC LP 5.

The Sixth Project ("GEC Project 6")

In August 2016, the Company formed a new limited partnership ("GEC LP 6") and became the general partner of this limited partnership. On September 29, 2016, GEC LP 6 purchased five parcels of land located in Metro Vancouver for $17,000,000, with an option to purchase a sixth adjacent parcel from another owner upon development permit approval. The site will become the future home of one of the Company's real estate developments. The Property is classified as an investment property at February 28, 2017 (Note 4).

At February 28, 2017, GEC LP 6 has received $8,381,250 of subscriptions from qualified investors for partnership units.

Management has determined that the Company and certain of its subsidiaries have control over GEC LP 6 and, accordingly, have consolidated the results of GEC LP 6 for the period subsequent to formation, notwithstanding the fact that GEC Holdings owns less than the majority of voting units (8.95%) at February 28, 2017. Rights held by a widely dispersed group of limited partners who own the majority of the partnership units were determined to be protective and not substantive, and did not preclude the Company having control.

In connection with the GEC Project 6, the Company recognized development fees in the three and six months ended February 28, 2017 of $839,287 and $2,660,715 for services provided related to locating the site, negotiating the purchase and sale agreement and organizing the formation of GEC LP 6.

NOTE 3 – REAL ESTATE DEVELOPMENT (cont'd)

The Seventh Project ("GEC Project 7")

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

At February 28, 2017, GEC LP 7 has received $4,743,750 of subscriptions from qualified investors for partnership units.

Management has determined that the Company and certain of its subsidiaries have control over GEC LP 7 and, accordingly, have consolidated the results of GEC LP 7 for the period subsequent to formation, notwithstanding the fact that GEC Holdings owns less than the majority of voting units at February 28, 2017. Rights held by a widely dispersed group of limited partners who own the majority of the partnership units were determined to be protective and not substantive, and did not preclude the Company having control.

In connection with the GEC Project 7, the Company recognized development fees in the three and six months ended February 28, 2017 of $291,668 and $1,505,953 for services provided related to locating the site, negotiating the purchase and sale agreement and organizing the formation of GEC LP 7.

NOTE 4 – INVESTMENT PROPERTIES

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

	February 28, 2017	August 31, 2016
Balance, beginning of period	$ 49,900,000	$ 38,100,000
Acquisition costs	35,661,184	-
Property and equipment	126,821	-
Additions during the period	1,469,353	925,265
Interest on borrowings capitalized during the period	701,530	1,095,589
Gain on fair value during the period	4,255,782	9,779,146
Balance, end of period	$ 92,114,670	$ 49,900,000

On initial recognition investment properties were recorded at cash consideration paid plus transaction costs. The Company selected the fair value model to apply to its investment properties. At February 28, 2017, the investment properties include GEC Property 3, GEC Property 5 and GEC Property 6 and at August 31, 2016 include GEC Project 3.

GEC Project 3

The Company determined the fair value of the property as at February 28, 2017 to be $51,600,232 (August 31, 2016 - $49,900,000). In June 2015, GEC LP 3 commenced renovations to convert the majority of the office and residential rental units in GEC Property 3 into student housing. A portion of these renovations were completed during the year ended August 31, 2016 with the remaining renovations budgeted for approximately $1,900,000 expected to be completed by July 2017. During the three and six months ended February 28, 2017 there were $356,516 and $724,747 (2016 - $314,698 and $656,485) of rental revenues which were offset by $196,099 and $388,711 (2016 - $244,149 and $449,687) of direct operating expenses associated with the investment property. There was $392,982 and $762,625 (2016 - $324,170 and $575,769) of direct operating expenses that did not generate income.

NOTE 4 – INVESTMENT PROPERTIES (cont'd)

GEC Project 5

The Company determined the fair value of the property as at February 28, 2017 to be $20,514,438. A fair value gain of $2,098,729 was recorded in the three months ended November 30, 2016. The property was purchased in October 2016 and during the three and six months ended February 28, 2017 there were $101,568 and $167,917 of rental revenues which were offset by direct operating expenses that generated rental income of $35,200 and $84,640. Direct operating expenses that did not generate income for the same period were $279,118 and $392,039.

GEC Project 6

The Company determined the fair value of the property as at February 28, 2017 to be $20,000,000. A fair value gain of $2,157,053 was recorded in the three months ended February 28, 2017. The property was purchased in September 2016 and during the three and six months ended February 28, 2017, there was $17,777 and $53,400 of rental revenues which were offset by direct operating expenses that generated rental income of $36,134 and $36,134. Direct operating expenses that did not generate income for the same period were $91,747 and $654,929.

The valuation of investment properties is a level 3 fair value measurement as it involves a significant unobservable input.

NOTE 5 – INTERESTS IN OTHER ENTITIES

(a) Principal Subsidiaries

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

		Percentage of Ownership as at	
Entity	Principal place of business	February 28, 2017	August 31, 2016
CIBT School of Business & Technology Corp.	China	100%	100%
Sprott-Shaw 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	February 28, 2017	August 31, 2016
Beihai College (1)	0.00%	0.00%
Irix Design Group Inc.	49.00%	49.00%
GEC Project 1	76.97%	76.97%
GEC Project 2 (2)	57.19%	57.19%
GEC Project 3	80.00%	80.00%
GEC Project 5	75.00%	75.00%
GEC Project 6 (3)	91.05%	0.00%
GEC Project 7 (3)	100.00%	0.00%

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

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

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

NOTE 5 – INTERESTS IN OTHER ENTITIES (cont'd)

(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.

(d) Investment in Associates

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

	GEC LP 1 [1]	GEC LP 4	Total
Carrying value – September 1, 2016	$ -	$ 1,453,445	$ 1,453,445
Share of net income (loss) in investee	-	(182,065)	(182,065)
Carrying value – February 28, 2017	$ -	$ 1,271,380	$ 1,271,380

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

[1] During the year ended August 31, 2016, GEC LP 1's distributed the capital contributions and other net earnings to the capital partners and this partnership was dissolved. For the six months ended February 29, 2016, GEC LP 1 share of net loss from investee was $165,817.

NOTE 5 – INTERESTS IN OTHER ENTITIES (cont'd)

(d) Investment in Associates (cont'd)

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

	February 28, 2017	August 31, 2016
Current assets	$ 470,080	$ 753,945
Non-current assets	37,939,366	36,319,138
Total assets	$ 38,409,446	$ 37,073,083
Current liabilities	$ 599,206	$ 988,745
Non-current liabilities	34,453,345	33,394,376
Total liabilities	$ 35,052,551	$ 34,383,121
Net assets (100%)	$ 3,356,895	$ 2,689,962

	For the six months ended February 28, 2017
Revenue	$ 1,340,361
Loss from operations	$ 910,331
Other comprehensive income	-
Total comprehensive loss	$ 910,331
Company's share of total comprehensive income (loss)	$ (182,065)

NOTE 6 – ACQUISTION OF KGIC INC.

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 "Debt") for $3,100,000. The Debt is owed to the Bank by KGIC Inc. ("KGIC"). As a result of the Debt Assignment, CIBT Finance replaced the Bank as KGIC's senior secured creditor. The Debt has been recorded at its fair value of $3,100,000 and will offset the purchase price of the KGIC's assets which was approved by the Supreme Court of British Columbia (the "Court") on March 15, 2017.

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. entered into a Management Agreement whereby it was appointed as agent 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.

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 (refer to Note 13).

NOTE 7 – BORROWINGS

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

	February 28, 2017	August 31, 2016
Mortgages payable – refer to GEC Project 3 below	$ 28,386,603	$ 28,312,602
Mortgages payable – refer to GEC Project 5 below	16,012,710	-
Mortgages payable – refer to GEC Project 6 below	8,282,151	-
Loan payable – refer to Demand Loan below	-	480,000
Other loan	38,642	45,462
	52,720,106	28,838,064
Less: current portion	(13,638)	(493,638)
	$ 52,706,468	$ 28,344,426

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. A total amount of $475,000 was deposited into an interest reserve to fund future interest payments, of which $nil remains at February 28, 2017 (August 31, 2016 - $397,202).

In connection with the Reduced Loan, the Company 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. During the six months ended February 28, 2017 an additional $940,291 was advanced. The new loan matures in July 2018 and bears interest at the Bank of Montreal prime rate plus 1.50% per annum, subject to a minimum 4.20% interest rate per annum. Certain fees were incurred in conjunction with the financing. A total amount of $500,000 was deposited into an interest reserve to fund future interest payments, of which $100,321 remains at February 28, 2017 (August 31, 2016 - $500,411).

In connection with the new borrowing transactions, the Company incurred a total of $717,092 in costs which have been included in the carrying value of the Mortgage and will be accreted as finance costs over the term of the Mortgage on an effective interest basis. For costs associated with loans which matured these amounts were fully expensed in the period of loan maturity. During the three and six months ended February 28, 2017, a total of $74,512 and $148,009 of these costs was expensed. In addition, during the three and six months ended February 28, 2017, a total of $433,617 and $866,940 (2016 - $449,675 and $884,542) of interest was accrued of which $271,385 was included in accounts payable and accrued liabilities as of February 28, 2017 (August 31, 2016 - $67,151). Of the total interest incurred on this loan to date of $3,655,137, a total of $161,220 and $378,588 was capitalized to the GEC Project 3 Investment Property during the three and six months ended February 28, 2017, resulting in total capitalized interest of $2,405,713.

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

NOTE 7 – BORROWINGS (cont'd)

GEC Project 5 Debt

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

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

In connection with the transactions, the Company incurred a total of $344,089 in costs which have been included in the carrying value of the mortgages and will be accreted as finance costs over the term on an effective interest basis. During the three and six months ended February 28, 2017, a total of $44,737 and $59,799 of these costs was expensed. In addition, during the three and six months ended February 28, 2017, interest expense of $230,281 and $317,284 was incurred on both mortgages.

GEC Project 6 Debt

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

In connection with the transactions, the Company incurred a total of $360,741 in costs which have been included in the carrying value of the mortgages and will be accreted as finance costs over the term on an effective interest basis. During the three and six months ended February 28, 2017, a total of $85,052 and $142,892 of these costs was expensed. During the three and six months ended February 28, 2017, interest expense of $191,250 and $322,942 was incurred, all of which was capitalized to the GEC Project 6 Investment Property (Note 4).

Demand Loan

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

NOTE 8 – SHARE CAPITAL

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 totalling $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 (refer to Note 6).

On February 22, 2017, the Company closed the first tranche of a private placement, 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 totalling $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 (refer to Note 13).

Stock options

The Company has 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 for periods ending from July 10, 2019 to August 5, 2021.

The Company has in place a rolling stock option plan (the "Plan") whereby a maximum of 10% of the issued and outstanding shares of the Company, from time to time, may be reserved for issuance pursuant to the exercise of options. The material terms of the Plan are as follows:

- The term of any options granted under the Plan is fixed by the board of directors at the time the options are granted, to a maximum term of five years.
- The exercise price of any options granted under the Plan is determined by the board of directors, but shall not be less than the last closing price on the TSX Exchange of the Company's common shares preceding the grant of such options, less any permitted discount.
- Unless otherwise imposed by the board of directors, no vesting requirement applies to options granted under the Plan but a four month hold period, commencing from the date of grant of an option, applies to all shares issued upon exercise of an option.
- All options granted under the Plan are non-assignable and non-transferable.
- If an option holder ceases to hold a position with the Company in which the option holder would be eligible to be granted an option (other than by reason of death), then the option granted shall expire on the 30th day following the date that the option holder ceases to hold any such position.

Details of options outstanding as at February 28, 2017 are as follows:

Number of Options	Exercise Price	Expiry Date	Remaining Contractual Life
30,000	$0.37	July 10, 2019	2.36 years
165,000	$0.38	July 21, 2021	4.39 years
150,000	$0.41	August 5, 2021	4.44 years
345,000			

As at February 28, 2017, a total of 101,250 stock options were exercisable with a weighted average exercise price of $0.39 per share

NOTE 8 – SHARE CAPITAL (cont'd)

Share purchase warrants

The Company has 4,845,012 share purchase warrants outstanding exercisable at prices ranging from $0.25 per share to $0.75 per share exercisable for periods ending from July 20, 2017 to February 22, 2019.

Details of share purchase warrants outstanding and exercisable as at February 28, 2017 are as follows:

Number of Warrants	Exercise Price	Expiry Date	Remaining Contractual Life
121,400	$0.25	July 20, 2017	0.39 years
1,826,000	$0.30	July 20, 2017	0.39 years
66,667	$0.75	January 23, 2018	0.90 years
1,618,999	$0.75	January 23, 2018	0.90 years
1,211,946	$0.75	February 22, 2019	1.98 years
4,845,012			

NOTE 9 – TREASURY SHARES

In accordance with TSX Exchange approval and the provisions of a normal course issuer bid, the Company from time to time acquires its own common shares into treasury. Effective February 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 expired on February 28, 2017.

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

	Number	Value
Balance, August 31, 2016	372,600	$ 173,855
Purchases of treasury shares	1,121,100	661,512
Cancellation of treasury shares	(1,238,700)	(671,162)
Balance, February 28, 2017	255,000	$ 164,205

NOTE 10 – GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses are comprised of the following:

	Three Months Ended February 28, 2017	Three Months Ended February 29, 2016	Six Months Ended February 28, 2017	Six Months Ended February 29, 2016
Advertising	$ 791,567	$ 907,794	$ 1,622,823	$ 1,906,243
Bank charges and interest	52,929	64,399	100,164	108,557
Consulting and management fees	778,914	308,033	1,057,881	489,508
Directors insurance	16,515	15,828	16,515	15,828
Investor relations	120,945	33,503	168,145	65,502
Office and general	510,643	589,537	1,074,093	1,064,115
Professional fees	252,212	296,435	719,833	569,030
Rent	872,854	803,854	1,696,990	1,694,156
Salaries and benefits	2,145,208	2,077,216	4,039,793	4,042,498
Travel and promotion	104,715	81,563	196,273	154,931
	$ 5,646,502	$ 5,178,162	$ 10,692,510	$ 10,110,368

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

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

	Three Months Ended February 28, 2017	Three Months Ended February 29, 2016	Six Months Ended February 28, 2017	Six Months Ended February 29, 2016
Accounts receivable	$ 366,682	$ 1,178,241	$ (1,884,921)	$ (2,279,845)
Prepaid expenses	112,860	31,950	126,807	46,294
Inventory	(31,140)	(626)	(121,130)	(1,383)
Accounts payable and accrued liabilities	(104,550)	(328,816)	1,935,541	163,612
Income taxes payable	(996)	21	(1,250)	-
Deferred educational revenues	1,108,907	344,247	3,668,734	1,807,595
Cash held in trust	412,353	-	847,292	-
	$ 1,864,116	$ 1,225,017	$ 4,571,073	$ (263,727)

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

NOTE 12 – TRANSACTIONS WITH RELATED PARTIES AND INVESTMENT PARTNERS

Significant transactions between the Company and the following related parties:

	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) As of February 28, 2017, 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
Due from Investor of GEC Project 7	500,000	-
	$ 2,715,014	$ 2,329,947

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.

NOTE 12 – TRANSACTIONS WITH RELATED PARTIES AND INVESTMENT PARTNERS (cont'd)

3) As of February 28, 2017, 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
	$ 1,136,241	$ 1,016,825

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 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.

NOTE 13 – SUBSEQUENT EVENTS

Share Purchase Warrants

A total of 195,000 share purchase warrants with an exercise price of $0.30 per share were exercised subsequent to February 28, 2017.

Private Placement

On March 10, 2017, the Company closed the second tranche of a private placement, 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 totalling $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 this private placement 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.

CIBT Subsidiary Acquires Assets of KGIC Inc.

Further to the announcement on January 25, 2017 (refer to Note 6), on March 15, 2017, the Company reported that Court approval had been received to the acquisition by the Company's wholly owned subsidiary, CIBT Finance, to substantially acquire 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 closed on March 29, 2017. The initial accounting for this Transaction was not completed at the date of issuance of these statements and therefore is not presented here.

Subsequent to February 28, 2017, 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 will offset the purchase price for the KGIC assets (refer to Note 6).

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. 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.

NOTE 14 – SEGMENTED INFORMATION

The Company's primary industry and geographic segments are in China where CIBT operates technical and career training schools, and in Canada where SSCC operates technical and career training schools, IRIX conducts web design and advertising services, and GEC conducts education related real estate projects. The Company's corporate operations are also in Canada. Transactions between CIBT, SSCC, 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	**Six Months Ended February 28, 2017**						
	CIBT (China)	SSCC (Canada)	VIC (Canada)	IRIX (Canada)	GEC (Canada)	Corporate (Canada)	Consolidated
Revenues							
Educational	$ 989,608	$ 12,570,711	$ 1,253,321	$ -	$ -	$ -	$ 14,813,640
Design and advertising	-	-	-	465,010	-	-	465,010
Commissions and referral fees	419,875	-	-	-	-	-	419,875
Development fees	-	-	-	-	-	5,595,239	5,595,239
Rental	-	-	-	-	3,178,633	-	3,178,633
	$ 1,409,483	$ 12,570,711	$ 1,253,321	$ 465,010	$ 3,178,633	$ 5,595,239	$ 24,472,397
Revenues, net of direct costs	$ 612,445	$ 7,558,237	$ 584,969	$ 346,099	$ 753,026	$ 5,595,239	$ 15,450,015
Other expenses and items:							
General and administrative	(521,457)	(6,264,714)	(616,581)	(346,089)	(577,957)	(2,365,712)	(10,692,510)
Amortization	(39,626)	(341,167)	(13,059)	(8,821)	(53,042)	(2,350)	(458,065)
Share-based payment expense	-	-	-	-	-	(12,437)	(12,437)
Interest and other income	45,062	188,571	-	271	555,601	6,787	796,292
Foreign exchange gain (loss)	(68,660)	-	-	15,082	2,222	(224)	(51,580)
Finance costs	-	(18,755)	-	-	(824,409)	-	(843,164)
Finance fees	-	-	-	-	(350,850)	-	(350,850)
Income (loss) from investment in associates	-	-	-	-	(558,399)	-	(558,399)
Gain on fair value changes in investment properties	-	-	-	-	4,255,782	-	4,255,782
Gain (loss) on disposal of assets	-	5,398	-	-	-	-	5,398
Income tax recovery (provision), net	-	-	-	-	-	-	-
Inter-segment transactions	-	(221,564)	-	34,813	(609,302)	796,053	-
Income (loss) from continuing operations	27,764	906,006	(44,671)	41,355	2,592,672	4,017,356	7,540,482
Discontinued operations	-	-	-	-	-	-	-
Inter-segment transactions - discontinued operations	-	-	-	-	-	-	-
Net income (loss)	$ 27,764	$ 906,006	$ (44,671)	$ 41,355	$ 2,592,672	$ 4,017,356	$ 7,540,482

NOTE 14 – SEGMENTED INFORMATION (cont'd)

Industry and Geographic Segments

February 28, 2017	CIBT (China)	SSCC (Canada)	VIC (Canada)	IRIX (Canada)	GEC (Canada)	Corporate (Canada)	Consolidated
Total assets	$ 3,854,369	$ 24,985,788	$ 665,130	$ 244,020	$ 115,958,407	$ 8,261,576	$ 153,969,290
Property and equipment	$ 96,651	$ 2,218,102	$ 99,651	$ 52,916	$ 481,680	$ 21,152	$ 2,970,152
Investment properties	$ -	$ -	$ -	$ -	$ 92,114,670	$ -	$ 92,114,670
Intangible assets	$ 653,193	$ 7,714,920	$ 276,078	$ -	$ -	$ -	$ 8,644,191
Goodwill	$ -	$ 4,403,303	$ 1,318,604	$ -	$ -	$ -	$ 5,721,907
Total liabilities	$ 697,510	$ 18,332,498	$ 630,640	$ 393,735	$ 57,016,173	$ 995,277	$ 78,065,833
Non-controlling interests	$ 39,786	$ -	$ -	$ (205,854)	$ 43,425,967	$ -	$ 43,259,899
Capital expenditures	$ 2,402	$ 817,295	$ 40,304	$ 1,948	$ 267,777	$ -	$ 1,129,726

NOTE 14 – SEGMENTED INFORMATION (cont'd)

Industry and Geographic Segments	**Six Months Ended February 29, 2016**						
	CIBT (China)	SSCC (Canada)	VIC (Canada)	IRIX (Canada)	GEC (Canada)	Corporate (Canada)	Consolidated
Revenues							
Educational	$ 1,402,724	$ 12,600,784	$ -	$ -	$ -	$ -	$ 14,003,508
Design and advertising	-	-	-	467,866	-	-	467,866
Commissions and referral fees	386,519	-	-	-	-	-	386,519
Development fees	-	-	-	-	36,792	3,588,016	3,624,808
Rental	-	-	-	-	656,485	-	656,485
	$ 1,789,243	$ 12,600,784	$ -	$ 467,866	$ 693,277	$ 3,588,016	$ 19,139,186
Revenues, net of direct costs	$ 717,636	$ 7,274,459	$ -	$ 349,795	$ 243,590	$ 3,588,016	$ 12,173,496
Other expenses and items:							
General and administrative	(722,688)	(7,058,774)	-	(392,131)	(289,520)	(1,647,255)	(10,110,368)
Amortization	(93,603)	(348,852)	-	(10,414)	(24,389)	(2,938)	(480,196)
Share-based payment expense	-	-	-	-	-	(498)	(498)
Interest and other income	2,044	-	-	798	79,402	0	82,244
Foreign exchange gain (loss)	(38,078)	-	-	18,265	-	(288)	(20,101)
Finance costs	-	(19,196)	-	-	(77,577)	-	(96,773)
Finance fees	-	-	-	-	(404,385)	-	(404,385)
Income (loss) from investment in associates	-	-	-	-	(145,842)	-	(145,842)
Gain on fair value changes in investment properties	-	-	-	-	-	-	-
Gain (loss) on disposal of assets	(8,363)	-	-	-	-	-	(8,363)
Income tax recovery (provision), net	-	-	-	-	-	-	-
Inter-segment transactions	-	(222,142)	-	16,577	-	205,565	-
Income (loss) from continuing operations	(143,052)	(374,505)	-	(17,110)	(618,721)	2,142,602	989,214
Discontinued operations	-	-	-	-	-	-	-
Inter-segment transactions - discontinued operations	-	-	-	-	-	-	-
Net income (loss)	$ (143,052)	$ (374,505)	$ -	$ (17,110)	$ (618,721)	$ 2,142,602	$ 989,214

NOTE 14 – SEGMENTED INFORMATION (cont'd)

Industry and Geographic Segments	February 29, 2016						
	CIBT (China)	SSCC (Canada)	VIC (Canada)	IRIX (Canada)	GEC (Canada)	Corporate (Canada)	Consolidated
Total assets	$ 6,003,043	$ 20,576,944	$ -	$ 244,342	$ 59,257,592	$ 6,946,951	$ 93,028,872
Property and equipment	$ 217,437	$ 1,719,765	$ -	$ 68,920	$ 259,474	$ 26,440	$ 2,292,036
Investment properties	$ -	$ -	$ -	$ -	$ 39,330,968	$ -	$ 39,330,968
Intangible assets	$ 750,858	$ 7,245,842	$ -	$ -	$ 1,349,511	$ -	$ 9,346,211
Goodwill	$ -	$ 4,403,303	$ -	$ -	$ -	$ -	$ 4,403,303
Total liabilities	$ 1,525,902	$ 14,826,086	$ -	$ 393,645	$ 35,773,502	$ 3,554,021	$ 56,073,156
Non-controlling interests	$ 1,380,055	$ -	$ -	$ (211,953)	$ 14,172,898	$ -	$ 15,341,000
Capital expenditures	$ 186	$ 265,317	$ -	$ 1,635	$ 97,438	$ -	$ 364,576

--- END OF FINANCIAL STATEMENTS ---