CIBT EDUCATION GROUP INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

MAY 31, 2017

UNAUDITED

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF INCOME (LOSS)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF INCOME (LOSS) PER SHARE

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

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

		May 31, 2017		August 31, 2016
ASSETS				
CURRENT				
Cash and cash equivalents	$	6,812,818	$	4,341,970
Restricted cash		349,377		148,001
Accounts receivable		9,851,721		6,795,474
Prepaid expenses		1,693,528		695,716
Inventory		736,647		363,293
TOTAL CURRENT ASSETS		19,444,091		12,344,454
DUE FROM RELATED PARTIES		3,042,710		2,329,947
DEPOSIT RESERVE		1,175,000		897,613
PROPERTY AND EQUIPMENT		3,772,791		2,103,147
INVESTMENT PROPERTIES		94,652,527		49,900,000
DEFERRED COSTS		1,605,331		1,522,116
REFUNDABLE DEPOSITS		13,300,000		15,800,000
INVESTMENT IN ASSOCIATES		1,152,072		1,453,445
INTANGIBLE ASSETS		19,057,172		8,182,067
GOODWILL		5,721,907		5,721,907
DEFERRED INCOME TAX ASSETS		2,091,845		2,091,845
TOTAL ASSETS	$	165,015,446	$	102,346,541
LIABILITIES				
CURRENT				
Accounts payable and accrued liabilities	$	7,410,706	$	3,000,520
Income taxes payable		115,801		114,836
Deferred educational revenue		18,372,634		11,548,744
Current portion of finance lease obligations		50,436		164,795
Current portion of borrowings		474,200		493,638
Due to related parties and investment partners		1,120,177		1,016,825
TOTAL CURRENT LIABILITIES		27,543,954		16,339,358
FINANCE LEASE OBLIGATIONS		543,749		324,009
BORROWINGS		56,689,938		28,344,426
DEFERRED INCOME TAX LIABILITIES		2,399,401		2,399,401
TOTAL LIABILITIES		87,177,042		47,407,194
EQUITY				
SHARE CAPITAL		53,377,855		49,024,991
RESERVES		5,577,991		5,669,832
DEFICIT		(25,547,287)		(30,868,897)
ACCUMULATED OTHER COMPREHENSIVE INCOME		312,535		237,890
EQUITY ATTRIBUTABLE TO CIBT EDUCATION GROUP INC. SHAREHOLDERS		33,721,094		24,063,816
NON-CONTROLLING INTERESTS		44,117,310		30,875,531
TOTAL EQUITY		77,838,404		54,939,347
TOTAL LIABILITIES AND EQUITY	$	165,015,446	$	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 May 31, 2017	Three Months Ended May 31, 2016	Nine Months Ended May 31, 2017	Nine Months Ended May 31, 2016
REVENUES				
Educational	$ 9,898,754	$ 7,021,842	$ 24,712,394	$ 21,025,350
Design and advertising	259,976	147,556	724,986	615,422
Commissions and referral fees	121,913	189,857	541,788	576,376
Development fees	-	-	5,595,239	3,624,808
Rental	2,079,935	784,308	5,258,568	1,440,793
	12,360,578	8,143,563	36,832,975	27,282,749
DIRECT COSTS				
Educational	4,532,808	3,028,948	10,730,858	9,121,786
Design and advertising	71,271	30,793	190,182	148,864
Commissions and referral fees	74,295	68,878	354,109	373,972
Rental	1,384,294	234,855	3,809,901	684,542
	6,062,668	3,363,474	15,085,050	10,329,164
OTHER EXPENSES				
General and administrative	6,482,814	4,870,623	17,175,324	14,980,991
Amortization (excluding agency fees)	318,087	238,700	776,152	718,896
Share-based payment expense	5,288	253	17,725	751
	6,806,189	5,109,576	17,969,201	15,700,638
OPERATING INCOME (LOSS)	(508,279)	(329,487)	3,778,724	1,252,947
INTEREST AND OTHER INCOME	351,462	216,627	1,147,754	298,871
FOREIGN EXCHANGE GAIN (LOSS)	42,562	(28,275)	(9,018)	(48,376)
FINANCE COSTS	(491,738)	(230,230)	(1,334,902)	(327,003)
FINANCE FEES	(201,867)	(90,029)	(552,717)	(494,414)
INCOME (LOSS) FROM INVESTMENT IN ASSOCIATES	(319,300)	2,367,649	(877,699)	2,221,807
BUSINESS ACQUISITION COSTS	(646,174)	-	(646,174)	-
BARGAIN PURCHASE GAIN ON BUSINESS ACQUISITION	1,167,277	-	1,167,277	-
GAIN ON FAIR VALUE CHANGES IN INVESTMENT PROPERTIES	1,485,562	7,109,653	5,741,344	7,109,653
GAIN (LOSS) ON DISPOSAL OF ASSETS	(1,529)	-	3,869	(8,363)
INCOME (LOSS) BEFORE INCOME TAXES	877,976	9,015,908	8,418,458	10,005,122
INCOME TAXES				
Current income tax expense (recovery)	-	2,534	-	2,534
	-	2,534	-	2,534
INCOME (LOSS) FROM CONTINUING OPERATIONS	877,976	9,013,374	8,418,458	10,002,588
INCOME (LOSS) FROM DISCONTINUED OPERATIONS	-	-	-	-
NET INCOME (LOSS)	$ 877,976	$ 9,013,374	$ 8,418,458	$ 10,002,588
ATTRIBUTABLE TO:				
CIBT Education Group Inc. shareholders	$ 21,547	$ 3,567,232	$ 5,321,610	$ 4,935,561
Non-controlling interests	856,429	5,446,142	3,096,848	5,067,027
NET INCOME (LOSS)	$ 877,976	$ 9,013,374	$ 8,418,458	$ 10,002,588

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

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

	Three Months Ended May 31, 2017	Three Months Ended May 31, 2016	Nine Months Ended May 31, 2017	Nine Months Ended May 31, 2016
BASIC INCOME (LOSS) PER COMMON SHARE - CONTINUING OPERATIONS	$ 0.01	$ 0.13	$ 0.12	$ 0.15
BASIC INCOME (LOSS) PER COMMON SHARE - DISCONTINUED OPERATIONS	0.00	0.00	0.00	0.00
BASIC INCOME (LOSS) PER COMMON SHARE - CONTINUING AND DISCONTINUED OPERATIONS	$ 0.01	$ 0.13	$ 0.12	$ 0.15
DILUTED INCOME (LOSS) PER COMMON SHARE - CONTINUING OPERATIONS	$ 0.01	$ 0.13	$ 0.11	$ 0.15
DILUTED INCOME (LOSS) PER COMMON SHARE - DISCONTINUED OPERATIONS	0.00	0.00	0.00	0.00
DILUTED INCOME (LOSS) PER COMMON SHARE - CONTINUING AND DISCONTINUED OPERATIONS	$ 0.01	$ 0.13	$ 0.11	$ 0.15
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING				
Basic	76,391,080	68,288,155	71,489,508	68,531,249
Diluted	77,576,828	68,772,884	73,619,384	68,951,925

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

	Three Months Ended May 31, 2017	Three Months Ended May 31, 2016	Nine Months Ended May 31, 2017	Nine Months Ended May 31, 2016
NET INCOME (LOSS)	$ 877,976	$ 9,013,374	$ 8,418,458	$ 10,002,588
OTHER COMPREHENSIVE INCOME (LOSS):				
Unrealized foreign exchange translation adjustment	45,406	(112,219)	74,826	(119,259)
	$ 923,382	$ 8,901,155	$ 8,493,284	$ 9,883,329
ATTRIBUTABLE TO:				
CIBT Education Group Inc. shareholders	$ 65,971	$ 3,483,846	$ 5,396,255	$ 4,643,371
Non-controlling interests	857,411	5,417,309	3,097,029	5,239,958
	$ 923,382	$ 8,901,155	$ 8,493,284	$ 9,883,329

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

	Share Capital		Reserves								
	Number of Common Shares	Dollar Amount	Warrants	Share-Based Payments	Ownership Changes	Treasury Shares	Accumulated Other Comprehensive Income (Loss)	Deficit	Total Shareholders' Equity	Non-Controlling Interests	Total Equity
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	-	-	-	-	-	-	(292,190)	-	(292,190)	172,931	(119,259)
Net income (loss) for the period	-	-	-	-	-	-	-	4,935,561	4,935,561	5,067,027	10,002,588
							(292,190)	4,935,561	4,643,371	5,239,958	9,883,329
Share-based payments	-	-	-	751	-	-	-	-	751	-	751
Non-controlling interests contributions	-	-	-	-	-	-	-	-	-	4,902,500	4,902,500
Changes in ownership interests - GECLP1	-	-	-	-	(27,578)	-	-	-	(27,578)	-	(27,578)
Purchase of treasury shares	-	-	-	-	-	(177,619)	-	-	(177,619)	-	(177,619)
Treasury share cancellations	(672,300)	(196,817)	-	-	-	196,817	-	-	-	-	-
Shares issued - share warrant exercises	38,500	14,630	(5,005)	-	-	-	-	-	9,625	-	9,625
Balance, May 31, 2016	68,196,953	48,933,303	2,286,657	3,534,057	50,736	-	89,508	(29,839,300)	25,054,961	25,660,809	50,715,770
Unrealized translation adjustments	-	-	-	-	-	-	148,382	-	148,382	(179,910)	(31,528)
Net income (loss) for the period	-	-	-	-	-	-	-	(1,029,597)	(1,029,597)	242,423	(787,174)
							148,382	(1,029,597)	(881,215)	62,513	(818,702)
Share-based payments	-	-	-	26,007	-	-	-	-	26,007	-	26,007
Non-controlling interests contributions	-	-	-	-	-	-	-	-	-	6,211,900	6,211,900
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	-	-	-	-	-	(173,855)	-	-	(173,855)	-	(173,855)
Shares issued - stock option exercises	75,000	22,500	-	(3,750)	-	-	-	-	18,750	-	18,750
Shares issued - share warrant exercises	203,650	69,188	(13,150)	-	-	-	-	-	56,038	-	56,038
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	-	-	-	-	-	-	74,645	-	74,645	181	74,826
Net income (loss) for the period	-	-	-	-	-	-	-	5,321,610	5,321,610	3,096,848	8,418,458
							74,645	5,321,610	5,396,255	3,097,029	8,493,284
Share-based payments	-	-	-	17,725	-	-	-	-	17,725	-	17,725
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	1,773,750	567,219	-	(140,251)	-	-	-	-	426,968	-	426,968
Shares issued - share warrant exercises	1,274,940	389,997	(12,212)	-	-	-	-	-	377,785	-	377,785
Shares issued - private placement	6,935,332	4,258,339	-	-	-	-	-	-	4,258,339	-	4,258,339
Shares issuance costs - cash	-	(158,282)							(158,282)		(158,282)
Shares issuance costs - broker warrants	-	(33,247)	33,247	-	-	-	-	-	-	-	-
Balance, May 31, 2017	77,220,925	$ 53,377,855	$ 2,294,542	$ 3,433,788	$ 13,866	$ (164,205)	$ 312,535	$ (25,547,287)	$ 33,721,094	$ 44,117,310	$ 77,838,404

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

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

	Three Months Ended May 31, 2017	Three Months Ended May 31, 2016	Nine Months Ended May 31, 2017	Nine Months Ended May 31, 2016
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES				
Net income (loss)	$ 877,976	$ 9,013,374	$ 8,418,458	$ 10,002,588
Adjusted for items not involving cash:				
- amortization (including agency fees)	318,087	238,700	776,152	1,234,690
- share-based payment expense	5,288	253	17,725	751
- (gain) loss on disposal of assets	1,529	-	(3,869)	8,363
- gain from changes in ownership investment interests	319,300	(2,367,649)	873,633	(2,221,807)
- gain on fair value changes in investment properties	(1,485,562)	(7,109,653)	(5,741,344)	(7,109,653)
- finance fees	201,867	90,029	552,717	494,414
- development fees	-	1,428,571	-	(1,659,445)
- business acquisition bargain purchase gain	(1,167,277)	-	(1,167,277)	-
	(928,792)	1,293,625	3,726,195	749,901
Net changes in non-cash working capital items	284,929	955,127	4,856,002	691,400
NET CASH FROM (USED IN) OPERATING ACTIVITIES	(643,863)	2,248,752	8,582,197	1,441,301
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES				
Purchases of property and equipment	(128,549)	(43,504)	(1,258,275)	(408,080)
Investment property	(635,117)	(318,931)	(33,949,656)	(723,737)
Restricted cash	(56,405)	8,237	(201,376)	(1,001,272)
Equity investments	(199,992)	-	(576,326)	-
Deposits on real estate properties	(400,000)	(200,000)	(500,000)	(3,725,000)
Acquisition of intangible assets	(433,081)	(1,516,660)	(972,060)	(2,179,481)
Acquisition of KGIC assets	(6,680,845)	-	(6,680,845)	-
Refundable deposit on sale of assets	(13,461)	-	(198,715)	2,031,866
NET CASH FROM (USED IN) INVESTING ACTIVITIES	(8,547,450)	(2,070,858)	(44,337,253)	(6,005,704)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES				
Proceeds from issuance of shares	1,006,277	9,625	4,904,810	9,625
Treasury share transactions	-	(53,479)	(661,512)	(177,619)
Advances from related parties	(343,760)	(4,486,390)	(3,004,616)	(390,325)
Receivables associated with KGIC acquisition	5,069,393	-	-	-
Non-controlling interest capital contributions	-	4,902,500	10,144,750	4,902,500
Finance lease obligation	(47,741)	(39,829)	(111,454)	(111,568)
Borrowing repayments	(46,764)	-	(533,584)	-
Borrowing advances	3,296,583	-	29,033,874	856,900
Capitalized borrowing costs	(417,178)	-	(1,118,708)	-
Deferred costs	486,538	(420,750)	(500,103)	(433,049)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	9,003,348	(88,323)	38,153,457	4,656,464
NET (DECREASE) INCREASE IN CASH	(187,965)	89,571	2,398,401	92,061
EFFECTS OF EXCHANGE RATE CHANGES ON CASH	38,947	30,798	72,447	32,110
CASH AND CASH EQUIVALENTS IN ASSETS HELD FOR SALE	-	(46,238)	-	(100,971)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	6,961,836	2,235,700	4,341,970	2,286,631
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 6,812,818	$ 2,309,831	$ 6,812,818	$ 2,309,831

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 ("Holdings"), 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, Holdings, which is an investment holding and management company with a focus on education related real estate projects in Canada.

The head office and principal address 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 July 12, 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 nine months ended May 31, 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. ("Holdings"), CIBT Group Holdings Inc. ("CIBT Holdings"), Global Education City Management Corp. ("Global Education Mgmt."), and Global Education City (Granville) Management Corp. ("Global Education 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 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 May 31, 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 Holdings and the remainder by the other limited partners. During the year ended August 31, 2016, 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 Holdings holds only 23.0% of the voting units in GEC® LP1 A as at May 31, 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 May 31, 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 May 31, 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 Holdings owns less than the majority of voting units at May 31, 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 Global Education Mgmt. will direct the business of the partnership they are considered to have control.

Holdings has committed to contribute total of $4,455,000 for its partnership units. At May 31, 2017, 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 Holdings and 61.5% by the other limited partners. As of May 31, 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 Holdings owns less than the majority of voting units (20%) at May 31, 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 their capital contribution when cash distributions are made, which is guaranteed by the general partner of GEC® LP 3. At May 31, 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 nine months ended May 31, 2017, the Company expensed $425,773 and $1,274,560 (2016 – $317,821 and $764,502) 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 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 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, Global Education 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 nine months ended May 31, 2017, the Company expensed $1,332,363 and $3,727,517 (2016 - $670,181 and $1,444,612) under the head lease agreement, and earned $1,445,196 and $3,677,765 (2016 - $1,165,842 and $1,884,511) 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 Holdings owns less than the majority of voting units (25%) at May 31, 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 nine months ended May 31, 2017, the Company expensed $318,232 and $752,807 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 May 31, 2017 (Note 4).

At May 31, 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 Holdings owns less than the majority of voting units (8.95%) at May 31, 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 nine months ended May 31, 2017 of $Nil 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 ("WestStone"), a leading real estate development company in Western Canada, to construct GEC® Project 7. On May 3, 2017, a purchase and development agreement was executed with WestStone to construct the project which is expected to cost approximately $230 million. The purchase price will be WestStone's costs plus a development fee subject to a maximum price and will be paid in a series of refundable deposits over the term of the project. At May 31, 2017, total refundable deposits of $500,000 were paid resulting in future commitments of approximately $229 million.

At May 31, 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 Holdings owns less than the majority of voting units at May 31, 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 nine months ended May 31, 2017 of $Nil 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.

	May 31, 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	2,104,470	925,265
Interest on borrowings capitalized during the period	1,118,708	1,095,589
Gain on fair value during the period	5,741,344	9,779,146
Balance, end of period	$ 94,652,527	$ 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 May 31, 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 May 31, 2017 to be $52,410,431 (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 $1,200,000 expected to be completed by September 2017. During the three and nine months ended May 31, 2017 there were $435,675 and $1,160,422 (2016 - $333,471 and $989,956) of rental revenues which were offset by $194,780 and $583,491 (2016 - $234,855 and $684,542) of direct operating expenses associated with the investment property. There was $348,567 and $1,111,192 (2016 - $357,020 and $932,790) 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 May 31, 2017 to be $22,000,000. A fair value gain of $2,098,729 was recorded in the three months ended November 30, 2016 and a fair value gain of $1,485,562 was recorded in the three months ended May 31, 2017. The property was purchased in October 2016 and during the three and nine months ended May 31, 2017 there were $149,492 and $317,409 of rental revenues which were offset by direct operating expenses that generated rental income of $59,479 and $144,119. Direct operating expenses that did not generate income for the same period were $346,220 and $738,259.

GEC® Project 6

The Company determined the fair value of the property as at May 31, 2017 to be $20,242,096. 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 nine months ended May 31, 2017, there was $49,572 and $102,972 of rental revenues which were offset by direct operating expenses that generated rental income of $64,143 and $100,277. Direct operating expenses that did not generate income for the same period were $88,524 and $743,453.

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	May 31, 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	May 31, 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	-	(301,373)	(301,373)
Carrying value – May 31, 2017	$ -	$ 1,152,072	$ 1,152,072

	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 nine months ended May 31, 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.

	May 31, 2017	August 31, 2016
Current assets	$ 670,910	$ 753,945
Non-current assets	37,923,105	36,319,138
Total assets	$ 38,594,015	$ 37,073,083
Current liabilities	$ 772,146	$ 988,745
Non-current liabilities	35,061,509	33,394,376
Total liabilities	$ 35,833,655	$ 34,383,121
Net assets (100%)	$ 2,760,360	$ 2,689,962

	For the nine months ended May 31, 2017
Revenue	$ 2,010,542
Loss from operations	$ 1,506,866
Other comprehensive income	-
Total comprehensive loss	$ 1,506,866
Company's share of total comprehensive income (loss)	$ (301,373)

NOTE 6 – ACQUISTION OF KGIC INC.

On January 25, 2017, a subsidiary of the Company, Sprott Shaw Language College Inc. ("SSLC") 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 by KGIC Inc. ("KGIC"). As a result of the Debt Assignment, SSLC replaced the Bank as KGIC's senior secured creditor. On the same day, pursuant to an application to the Court made by SSLC, as secured creditor, KGIC was placed under receivership.

A Receiver was appointed to oversee the receivership and bankruptcy process and SSCC was appointed to operate the business of KGIC as agent of and on the behalf of the Court appointed Receiver. SSLC entered into a term sheet with the Receiver whereby SSLC 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. The Company closed two private placements (see Note 8) associated with funding the acquisition and company expansion.

On March 15, 2017, the Company reported that Court approval had been received by the Company to acquire substantially all of the operating assets of KGIC. 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, which was the acquisition date. The new acquisition is being integrated into the Company's education assets in Canada.

NOTE 6 – ACQUISTION OF KGIC INC. (cont'd)

The base consideration on the Transaction was agreed by the Court, with the majority of the purchase price paid in cash either directly to the Bank or to the Receiver. Monies provided to the Receiver were not repaid under the Court order, but rather included in the purchase price. Release and waivers were issued by SSLC for all but $5,000,000 of the previously outstanding Debt of KGIC, which SSLC still holds the right to collect should any amounts be paid to creditors of the former KGIC.

The Company concluded that the acquired assets and assumed liabilities of KGIC constituted a business and accordingly the Transaction was accounted for as a business combination. The Company is in the process of obtaining a valuation report on the intangible asset value associated with this purchase and also determining the appropriate accounting under IFRS for certain items included in the purchase price. There is no contingent consideration; however, the purchase price is subject to change based on the treatment of the convertible debentures, promissory notes, and additional costs.

The following table summarizes the estimated fair value of the identifiable assets acquired and liabilities assumed.

Purchase price:		
Payment to assume Bank debt	$	3,100,000
Revolving credit facility with Receiver		2,922,423
Principal of convertible debentures and promissory notes [1]		1,392,800
Management fee for agent services		180,000
Payment of costs on behalf of Receiver		367,469
Additional costs		310,953
Consideration	$	8,273,645
Accounts receivable	$	1,113,411
Other current		457,355
Property and equipment		823,406
Intangible assets		10,044,078
Accounts payable		(288,896)
Deferred educational revenue		(2,708,432)
Net identifiable assets acquired	$	9,440,922
Bargain purchase gain	$	1,167,277

(1) Convertible debentures were issued on June 7, 2017 (see Note 13)

The Company is in the process of valuing the assets acquired, including the substantial preliminary value assigned to intangible assets, and liabilities assumed. The purchase price and allocation of purchase price is preliminary and may be adjusted further as a result of obtaining additional information regarding preliminary estimates of fair values and costs made at the date of purchase.

The primary reason or the business combination was to continue to expand the educational assets of the Company while also securing the welfare of students, employees, partners and other stakeholders in the private education sector who would have been negatively impacted without such a change. A bargain purchase gain of $1,167,277 was recognized to May 31, 2017, resulting from the preliminary assessment of the excess fair value of the net assets acquired over the consideration paid. This gain has been recorded in the Statement of Income as a Bargain Purchase Gain on Business Acquisition.

The Company was strategically positioned and capable of integrating a large number of students and programs. Approximately 2,000 previous students will continue their education through SSLC. The Company expects to see considerable economies of scale as the acquisition adds breadth and depth of program offing while tripling the size of the student pipeline.

Acquisition-related costs of $646,174 were expensed in the three months ended May 31, 2017 as Business Acquisition Costs on the Statement of Income. Certain costs associated with the purchase were deferred pending determination as to whether these costs were associated with the related debt and equity transactions.

NOTE 6 – ACQUISTION OF KGIC INC. (cont'd)

The operating results of SSLC, from March 29 to May 31, 2017 are included in these consolidated financial statements. For the period from acquisition to May 31, 2017 total revenues were $1,486,527 and net loss from operations was $692,622. The results from the acquisition of KGIC had the entity been acquired on September 1, 2016 are not available as no reasonable estimate can be made of actual operations given the financial status of the Company, which is not reflective of the anticipated revenue or net income (loss) generated from the KGIC assets in the new structure.

NOTE 7 – BORROWINGS

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

	May 31, 2017	August 31, 2016
Mortgages payable – refer to GEC® Project 3 below	$ 30,247,367	$ 28,312,602
Mortgages payable – refer to GEC® Project 5 below	16,053,490	-
Mortgages payable – refer to GEC® Project 6 below	8,365,403	-
Loan payable – refer to Demand Loan below	-	480,000
Credit facility	2,462,645	-
Other loan	35,233	45,462
	57,164,138	28,838,064
Less: current portion	(474,200)	(493,638)
	$ 56,689,938	$ 28,344,426

GEC® Project 3 Debt Refinancing

In June 2016, GEC® LP 3 and related companies refinanced its existing debt. The original first mortgage of $30,560,000 was refinanced on July 13, 2016 to a reduced amount of $10,000,000 ("Reduced Loan"). This Reduced Loan matures June 30, 2018 and bears interest at the greater of: (a) 9.5% per annum; and (b) HSBC prime rate plus 6.80%, increasing to 18% after May 31, 2018. Interest continues to be calculated on a consistent basis as the original Mortgage. A fee of $150,000 was incurred in connection with this refinancing. The Reduced Loan may be prepaid in full after $475,000 of interest on the Reduced Loan has been earned and paid subject to other requirements. The extension and amendment of the original first mortgage was not considered an extinguishment of debt or a substantial modification of terms. As such the costs incurred reduce the carrying value of the debt and are accreted as financing costs over the term of the new loan. A total amount of $475,000 was deposited into an interest reserve to fund future interest payments, of which $Nil remains at May 31, 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 was available for future advances. During the nine months ended May 31, 2017 an additional $1,733,874 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 $Nil remains at May 31, 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 nine months ended May 31, 2017, a total of $74,985 and $222,994 of these costs was expensed. In addition, during the three and nine months ended May 31, 2017, a total of $452,364 and $1,319,304 (2016 - $461,759 and $1,346,301) of interest was accrued of which $153,177 was included in accounts payable and accrued liabilities as of May 31, 2017 (August 31, 2016 - $67,151). Of the total interest incurred on this loan to date of $4,107,501, a total of $225,928 and $604,516 was capitalized to the GEC® Project 3 Investment Property during the three and nine months ended May 31, 2017, resulting in total capitalized interest of $2,631,640.

NOTE 7 – BORROWINGS (cont'd)

GEC® Project 3 Debt Refinancing (cont'd)

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.

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 nine months ended May 31, 2017, a total of $43,780 and $103,579 of these costs was expensed. In addition, during the three and nine months ended May 31, 2017, interest expense of $235,339 and $552,623 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 nine months ended May 31, 2017, a total of $83,252 and $226,144 of these costs was expensed. During the three and nine months ended May 31, 2017, interest expense of $191,250 and $514,192 was incurred, all of which was capitalized to the GEC® Project 6 Investment Property (Note 4).

NOTE 7 – BORROWINGS (cont'd)

Credit Facility

On March 15, 2017, SSCC executed a Commitment Letter with a major Canadian bank for a total of $5,000,000 in the form of two facilities. Facility A, a $2,500,000 non-revolving demand loan, was fully drawn bearing interest at prime plus 1.5% to be repaid in 60 monthly payments of $46,267 of blended principal and interest payments with total repayment in April 2022. At May 31, 2017, the facility had a remaining outstanding balance of $2,462,645. During the three months ended May 31, 2017, interest expense of $10,639 was incurred. Facility B is a $2,500,000 revolving facility which will be available depending on the sub-set of borrowing in the form of an operating demand loan, commercial letter of credit, or corporate credit card and which will attract different interest rates and repayment terms depending on the availability drawn. At May 31, 2017, Facility B remained undrawn; however, corporate credit cards had been requested. The facilities are eligible for early prepayment in part or full and are subject to certain covenants and guarantees.

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.

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.

NOTE 8 – SHARE CAPITAL (cont'd)

Share purchase warrants

The Company has 4,961,762 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 March 10, 2019.

Details of share purchase warrants outstanding and exercisable as at May 31, 2017 are as follows:

Number of Warrants	Exercise Price	Expiry Date	Remaining Contractual Life
106,400	$0.25	July 20, 2017	0.14 years
1,165,000	$0.30	July 20, 2017	0.14 years
66,667	$0.75	January 23, 2018	0.65 years
1,618,999	$0.75	January 23, 2018	0.65 years
80,780	$0.75	February 22, 2019	1.73 years
1,131,166	$0.75	February 22, 2019	1.73 years
75,250	$0.75	March 10, 2019	1.77 years
717,500	$0.75	March 10, 2019	1.77 years
4,961,762			

Stock options

The Company has stock options outstanding to certain employees, officers and directors providing the right to purchase up to 430,000 shares at prices ranging from $0.37 per share to $0.86 per share exercisable for periods ending from July 10, 2019 to May 4, 2022.

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 May 31, 2017 are as follows:

Number of Options	Exercise Price	Expiry Date	Remaining Contractual Life
30,000	$0.37	July 10, 2019	2.11 years
150,000	$0.38	July 21, 2021	4.14 years
150,000	$0.41	August 5, 2021	4.18 years
100,000	$0.86	May 4, 2022	4.93 years
430,000			

As at May 31, 2017, a total of 122,500 stock options were exercisable with a weighted average exercise price of $0.50 per share

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, May 31, 2017	255,000	$ 164,205

NOTE 10 – GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses are comprised of the following:

	Three Months Ended May 31, 2017	Three Months Ended May 31, 2016	Nine Months Ended May 31, 2017	Nine Months Ended May 31, 2016
Advertising	$ 654,125	$ 685,291	$ 2,276,948	$ 2,591,534
Bank charges and interest	102,388	62,920	202,552	171,477
Consulting and management fees	407,896	252,202	1,465,777	741,710
Directors insurance	-	-	16,515	15,828
Investor relations	22,689	60,854	190,834	126,356
Office and general	737,378	629,329	1,811,471	1,693,444
Professional fees	518,081	388,886	1,237,914	957,916
Rent	1,413,186	745,693	3,110,176	2,439,849
Salaries and benefits	2,485,621	2,001,464	6,525,414	6,043,962
Travel and promotion	141,450	43,984	337,723	198,915
	$ 6,482,814	$ 4,870,623	$ 17,175,324	$ 14,980,991

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

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

	Three Months Ended May 31, 2017	Three Months Ended May 31, 2016	Nine Months Ended May 31, 2017	Nine Months Ended May 31, 2016
Accounts receivable	$ (257,915)	$ 1,482,005	$ (2,142,836)	$ (797,840)
Prepaid expenses	(838,911)	(115,456)	(712,104)	(69,162)
Inventory	(34,757)	(47,377)	(155,887)	(48,760)
Accounts payable and accrued liabilities	817,252	(167,626)	2,752,793	(4,014)
Income taxes payable	2,215	87	965	87
Deferred educational revenues	421,724	(196,506)	4,090,458	1,611,089
Cash held in trust	175,321	-	1,022,613	-
	$ 284,929	$ 955,127	$ 4,856,002	$ 691,400

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:

	May 31, 2017	August 31, 2016
Accounts receivable - Weifang University (1)	$ 4,822,846	$ 2,139,876
Accounts payable - Weifang University (1)	$ 1,417,869	$ 260,551
Due from officers, employees, directors and non-arm's length investors (2)	$ 3,042,710	$ 2,329,947
Due to officers, employees, directors and non-arm's length investors (3)	$ 1,120,177	$ 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 May 31, 2017, the amount due from officers, employees, directors and non-arm's length investors is comprised of the following:

	May 31, 2017	August 31, 2016
Due from Investor of GEC® Project 2	$ 635,000	$ 635,000
Due from Developer of GEC® Project 5	882,535	1,004,795
Due from GEC® LP 4	1,282,874	461,000
Due from Beihai College	242,301	229,152
	$ 3,042,710	$ 2,329,947

Amount due from Developer of GEC® Project 5 bears interest at 5% per annum and is secured by a demand promissory note held by the Company. Amount due from an investor of GEC® Project 2 is non-interest bearing with no set terms of payment and will be repaid through additional funding of GEC® Project 2 LP by an Investor. All other amounts due are non-interest bearing and have no fixed terms of repayment. Transactions with related parties are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

3) As of May 31, 2017, the amount due to officers, employees, directors and non-arm's length investors is comprised of the following:

	May 31, 2017	August 31, 2016
Due to officers and directors of the Company	$ 156,996	$ 1,363
Due to the President of IRIX	182,342	187,237
Due to third-party investor of GEC® Project 3	780,839	828,225
	$ 1,120,177	$ 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 nine months ended May 31, 2017 and 2016, respectively, the Company and its subsidiaries incurred a total of $803,091 (2016 – $505,780) 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 1,007,500 share purchase warrants with an exercise price of $0.30 per share were exercised subsequent to May 31, 2017.

A total of 6,600 share purchase warrants with an exercise price of $0.25 per share were exercised subsequent to May 31, 2017.

Convertible Debentures

On June 7, 2017, the Company issued convertible debentures (the "Debentures") in the aggregate principal sum of $1,267,800 maturing on June 7, 2022. The debentures bear interest at the rate of 4% per annum and the principal sum will be paid in 60 equal instalments of principal and accrued interest. The Company has the right to prepay all or a portion of the principal sum then outstanding and accrued but unpaid interest, without payment of a bonus or penalty.

All or part of the principal sum is convertible to common shares at the election of the holder at a price of $0.79 per share. The Company has the right to deliver repayment of the principal sum then outstanding should it chose. The Company also has the right to convert the principal sum into common shares if a condition precedent is met. The Debentures were issued in connection with the KGIC business combination as payment for a collection right under agreements with certain KGIC creditors.

In addition, on May 31, 2017, two promissory notes totalling $125,000 were issued to a previous KGIC creditor in connection with the KGIC business combination. One promissory note was paid on July 7, 2017 and the remaining one is due in August 2017.

Proposed Sale

On June 16, 2017, the Company and a purchaser executed a letter of intent regarding the possible sale by the Company of all the issued and outstanding shares of one of the recently acquired KGIC assets for $350,000. Due diligence was completed on July 7, 2017 and the parties have agreed to execute a definitive agreement before the anticipated closing date of July 31, 2017. A deposit of $30,000 was received from the purchaser and is refundable, subject to certain conditions.

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 Holdings conducts education related real estate projects. The Company's corporate operations are also in Canada. Transactions between CIBT, SSCC, IRIX, Holdings 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	**Nine Months Ended May 31, 2017**						
	CIBT (China)	SSCC (Canada)	VIC (Canada)	IRIX (Canada)	Holdings (Canada)	Corporate (Canada)	Consolidated
Revenues							
Educational	$ 1,428,081	$ 21,334,523	$ 1,949,790	$ -	$ -	$ -	$ 24,712,394
Design and advertising	-	-	-	724,986	-	-	724,986
Commissions and referral fees	541,788	-	-	-	-	-	541,788
Development fees	-	-	-	-	-	5,595,239	5,595,239
Rental	-	-	-	-	5,258,568	-	5,258,568
	$ 1,969,869	$ 21,334,523	$ 1,949,790	$ 724,986	$ 5,258,568	$ 5,595,239	$ 36,832,975
Revenues, net of direct costs	$ 891,845	$ 12,372,194	$ 905,176	$ 534,804	$ 1,448,667	$ 5,595,239	$ 21,747,925
Other expenses and items:							
General and administrative	(804,063)	(10,582,960)	(931,178)	(523,935)	(833,283)	(3,499,905)	(17,175,324)
Amortization	(58,267)	(593,716)	(22,398)	(13,522)	(84,724)	(3,525)	(776,152)
Share-based payment expense	-	-	-	-	-	(17,725)	(17,725)
Interest and other income	68,547	199,936	-	2,136	876,170	965	1,147,754
Foreign exchange gain (loss)	(42,529)	-	-	31,379	2,728	(596)	(9,018)
Finance costs	-	(39,877)	-	-	(1,295,025)	-	(1,334,902)
Finance fees	-	-	-	-	(552,717)	-	(552,717)
Income (loss) from investment in associates	-	-	-	-	(877,699)	-	(877,699)
Business acquisition costs	-	(646,174)	-	-	-	-	(646,174)
Bargain purchase gain on business acquisition	-	1,167,277	-	-	-	-	1,167,277
Gain on fair value changes in investment properties	-	-	-	-	5,741,344	-	5,741,344
Gain (loss) on disposal of assets	-	5,398	(1,529)	-	-	-	3,869
Income tax recovery (provision), net	-	-	-	-	-	-	-
Inter-segment transactions	-	(338,309)	-	41,416	(450,465)	747,358	-
Income (loss) from continuing operations	55,533	1,543,769	(49,929)	72,278	3,974,996	2,821,811	8,418,458
Discontinued operations	-	-	-	-	-	-	-
Inter-segment transactions - discontinued operations	-	-	-	-	-	-	-
Net income (loss)	$ 55,533	$ 1,543,769	$ (49,929)	$ 72,278	$ 3,974,996	$ 2,821,811	$ 8,418,458

NOTE 14 – SEGMENTED INFORMATION (cont'd)

Industry and Geographic Segments	May 31, 2017						
	CIBT (China)	SSCC (Canada)	VIC (Canada)	IRIX (Canada)	Holdings (Canada)	Corporate (Canada)	Consolidated
Total assets	$ 3,814,562	$ 39,506,198	$ 704,902	$ 246,546	$ 118,409,516	$ 2,333,722	$ 165,015,446
Property and equipment	$ 88,898	$ 2,997,456	$ 117,010	$ 50,807	$ 498,643	$ 19,977	$ 3,772,791
Investment properties	$ -	$ -	$ -	$ -	$ 94,652,527	$ -	$ 94,652,527
Intangible assets	$ 651,835	$ 18,097,035	$ 308,302	$ -	$ -	$ -	$ 19,057,172
Goodwill	$ -	$ 4,403,303	$ 1,318,604	$ -	$ -	$ -	$ 5,721,907
Total liabilities	$ 555,377	$ 25,249,937	$ 875,866	$ 360,852	$ 57,977,217	$ 2,157,793	$ 87,177,042
Non-controlling interests	$ 32,163	$ -	$ -	$ (190,702)	$ 44,275,849	$ -	$ 44,117,310
Capital expenditures	$ 5,473	$ 891,537	$ 40,303	$ 4,540	$ 316,422	$ -	$ 1,258,275

NOTE 14 – SEGMENTED INFORMATION (cont'd)

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

NOTE 14 – SEGMENTED INFORMATION (cont'd)

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

--- END OF FINANCIAL STATEMENTS ---