



**CIBT EDUCATION GROUP INC.**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**MAY 31, 2018**

**EXPRESSED IN CANADIAN DOLLARS**

**UNAUDITED**

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF INCOME

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME

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, 2018	August 31, 2017
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and cash equivalents	\$ 10,565,166	\$ 6,880,384
Restricted cash	250,689	249,508
Accounts receivable	12,007,642	9,271,204
Promissory note	712,746	930,149
Prepaid expenses	1,829,847	1,285,875
Inventory	759,561	584,392
<b>TOTAL CURRENT ASSETS</b>	<b>26,125,651</b>	<b>19,201,512</b>
<b>DUE FROM RELATED PARTIES</b>	<b>151,517</b>	<b>2,776,320</b>
<b>DEPOSIT RESERVE</b>	<b>1,000,000</b>	<b>1,100,000</b>
<b>PROPERTY AND EQUIPMENT</b>	<b>59,767,933</b>	<b>4,142,299</b>
<b>INVESTMENT PROPERTIES</b>	<b>121,615,200</b>	<b>101,010,000</b>
<b>DEFERRED COSTS</b>	<b>2,404,624</b>	<b>1,854,124</b>
<b>REFUNDABLE DEPOSITS</b>	<b>56,000,000</b>	<b>13,300,000</b>
<b>INVESTMENT IN ASSOCIATES</b>	<b>-</b>	<b>1,016,361</b>
<b>INTANGIBLE ASSETS</b>	<b>10,256,738</b>	<b>10,415,112</b>
<b>GOODWILL</b>	<b>10,056,253</b>	<b>10,056,253</b>
<b>DEFERRED INCOME TAX ASSETS</b>	<b>2,046,307</b>	<b>2,046,307</b>
<b>ASSETS HELD FOR SALE</b>	<b>5,600,000</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>\$ 295,024,223</b>	<b>\$ 166,918,288</b>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 9,549,741	\$ 6,451,858
Income taxes payable	151,331	273,212
Deferred educational revenue	23,208,123	18,452,047
Due to arm's length parties	5,666,387	-
Current portion of finance lease obligations	51,809	193,933
Current portion of borrowings	60,347,549	33,362,364
Due to related parties and investment partners	873,419	1,002,447
<b>TOTAL CURRENT LIABILITIES</b>	<b>99,848,359</b>	<b>59,735,861</b>
<b>FINANCE LEASE OBLIGATIONS</b>	<b>655,015</b>	<b>584,579</b>
<b>BORROWINGS</b>	<b>49,418,164</b>	<b>25,462,933</b>
<b>DEFERRED INCOME TAX LIABILITIES</b>	<b>4,160,155</b>	<b>4,160,155</b>
<b>TOTAL LIABILITIES</b>	<b>154,081,693</b>	<b>89,943,528</b>
<b>EQUITY</b>		
<b>SHARE CAPITAL</b>	<b>52,558,295</b>	<b>52,190,322</b>
<b>RESERVES</b>	<b>5,764,742</b>	<b>5,741,510</b>
<b>DEFICIT</b>	<b>(16,712,430)</b>	<b>(28,481,801)</b>
<b>ACCUMULATED OTHER COMPREHENSIVE INCOME</b>	<b>351,128</b>	<b>243,766</b>
<b>EQUITY ATTRIBUTABLE TO CIBT EDUCATION GROUP INC. SHAREHOLDERS</b>	<b>41,961,735</b>	<b>29,693,797</b>
<b>NON-CONTROLLING INTERESTS</b>	<b>98,980,795</b>	<b>47,280,963</b>
<b>TOTAL EQUITY</b>	<b>140,942,530</b>	<b>76,974,760</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 295,024,223</b>	<b>\$ 166,918,288</b>

*Approved on behalf of the Board:*

*"Toby Chu"*

Toby Chu, Chief Executive Officer & Director

*"Troy Rice"*

Troy Rice, Director

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

	Three Months Ended May 31, 2018	Three Months Ended May 31, 2017	Nine Months Ended May 31, 2018	Nine Months Ended May 31, 2017
<b>REVENUES</b>				
Educational	\$ 11,617,801	\$ 9,898,754	\$ 34,960,867	\$ 24,712,394
Design and advertising	289,378	259,976	839,779	724,986
Commissions and referral fees	199,921	121,913	679,826	541,788
Development fees	8,019,562	-	11,662,382	5,595,239
Rental	2,708,045	2,079,935	6,552,381	5,258,568
	<u>22,834,707</u>	<u>12,360,578</u>	<u>54,695,235</u>	<u>36,832,975</u>
<b>DIRECT COSTS</b>				
Educational	5,142,956	4,532,808	15,891,642	10,730,858
Design and advertising	57,081	71,271	207,694	190,182
Commissions and referral fees	145,591	74,295	509,218	354,109
Rental	1,120,850	1,384,294	3,992,255	3,809,901
	<u>6,466,478</u>	<u>6,062,668</u>	<u>20,600,809</u>	<u>15,085,050</u>
<b>OTHER EXPENSES</b>				
General and administrative	8,054,189	6,667,798	23,089,223	17,360,308
Amortization (excluding agency fees)	481,585	292,167	1,232,334	750,232
Share-based payment expense	77,182	5,288	200,931	17,725
	<u>8,612,956</u>	<u>6,965,253</u>	<u>24,522,488</u>	<u>18,128,265</u>
<b>OPERATING INCOME (LOSS)</b>	7,755,273	(667,343)	9,571,938	3,619,660
<b>INTEREST AND OTHER INCOME</b>	122,650	351,462	718,697	1,147,754
<b>FOREIGN EXCHANGE GAIN (LOSS)</b>	998	42,562	60,988	(9,018)
<b>FINANCE COSTS</b>	(1,554,271)	(491,738)	(2,978,485)	(1,334,902)
<b>FINANCE FEES</b>	(316,353)	(201,867)	(709,477)	(552,717)
<b>LOSS FROM INVESTMENT IN ASSOCIATES</b>	(75,544)	(319,300)	(669,951)	(877,699)
<b>BUSINESS ACQUISITION COSTS</b>	-	(461,190)	-	(461,190)
<b>SETTLEMENT OF PRE-EXISTING CONDITIONS</b>	-	(1,149,923)	-	(1,149,923)
<b>GAIN ON FAIR VALUE CHANGES IN INVESTMENT PROPERTIES</b>	-	1,485,562	8,634,612	5,741,344
<b>GAIN (LOSS) ON DISPOSAL OF ASSETS</b>	2,025,278	(1,529)	2,017,446	3,869
<b>INCOME (LOSS) BEFORE INCOME TAXES</b>	7,958,031	(1,413,304)	16,645,768	6,127,178
<b>INCOME TAXES</b>				
Current income tax expense (recovery)	-	-	-	-
Deferred income tax expense (recovery)	-	-	-	-
	-	-	-	-
<b>NET INCOME (LOSS)</b>	\$ 7,958,031	\$ (1,413,304)	\$ 16,645,768	\$ 6,127,178
<b>ATTRIBUTABLE TO:</b>				
CIBT Education Group Inc. shareholders	\$ 8,499,570	\$ (2,269,733)	\$ 11,769,371	\$ 3,030,330
Non-controlling interests	(541,539)	856,429	4,876,397	3,096,848
<b>NET INCOME (LOSS)</b>	\$ 7,958,031	\$ (1,413,304)	\$ 16,645,768	\$ 6,127,178
<b>BASIC INCOME (LOSS) PER COMMON SHARE ATTRIBUTABLE TO CIBT EDUCATION GROUP INC. SHAREHOLDERS</b>				
	\$ 0.11	\$ (0.03)	\$ 0.15	\$ 0.04
<b>DILUTED INCOME (LOSS) PER COMMON SHARE ATTRIBUTABLE TO CIBT EDUCATION GROUP INC. SHAREHOLDERS</b>				
	\$ 0.11	\$ (0.03)	\$ 0.15	\$ 0.04
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING</b>				
Basic	78,307,611	76,391,080	78,307,611	71,489,508
Diluted	78,457,763	77,576,828	78,457,763	73,619,384

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

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

	Three Months Ended May 31, 2018	Three Months Ended May 31, 2017	Nine Months Ended May 31, 2018	Nine Months Ended May 31, 2017
<b>NET INCOME (LOSS)</b>	\$ 7,958,031	\$ (1,413,304)	\$ 16,645,768	\$ 6,127,178
<b>OTHER COMPREHENSIVE INCOME (LOSS):</b>				
Unrealized foreign exchange translation adjustment	(1,644)	45,406	110,068	74,826
	<b>\$ 7,956,387</b>	<b>\$ (1,367,898)</b>	<b>\$ 16,755,836</b>	<b>\$ 6,202,004</b>
<b>ATTRIBUTABLE TO:</b>				
CIBT Education Group Inc. shareholders	\$ 8,497,999	\$ (2,225,309)	\$ 11,876,733	\$ 3,104,975
Non-controlling interests	(541,612)	857,411	4,879,103	3,097,029
	<b>\$ 7,956,387</b>	<b>\$ (1,367,898)</b>	<b>\$ 16,755,836</b>	<b>\$ 6,202,004</b>

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

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

	Share Capital		Reserves				Accumulated Other Comprehensive Income (Loss)	Deficit	Total Shareholders' Equity	Non- Controlling Interests	Total Equity
	Number of Common Shares	Dollar Amount	Warrants	Share-Based Payments	Ownership Changes	Treasury Shares					
<b>Balance, August 31, 2016</b>	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	-	-	-	-	-	-	-	3,030,330	3,030,330	3,096,848	6,127,178
							74,645	3,030,330	3,104,975	3,097,029	6,202,004
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	-	(314,204)	-	-	-	-	-	-	(314,204)	-	(314,204)
Shares issuance costs - broker warrants	-	(33,247)	33,247	-	-	-	-	-	-	-	-
Shares issuance costs - assumed KGIC debt	-	(1,392,800)	-	-	-	-	-	-	(1,392,800)	-	(1,392,800)
<b>Balance, May 31, 2017</b>	77,220,925	51,829,133	2,294,542	3,433,788	13,866	(164,205)	312,535	(27,838,567)	29,881,092	44,117,310	73,998,402
Unrealized translation adjustments	-	-	-	-	-	-	(68,769)	-	(68,769)	(1,737)	(70,506)
Net income (loss) for the period	-	-	-	-	-	-	-	(643,234)	(643,234)	2,800,090	2,156,856
							(68,769)	(643,234)	(712,003)	2,798,353	2,086,350
Share-based payments	-	-	-	176,640	-	-	-	-	176,640	-	176,640
Payments to non-controlling interests	-	-	-	-	-	-	-	-	-	(120,000)	(120,000)
Non-controlling interests contributions	-	-	-	-	-	-	-	-	-	485,300	485,300
Shares issued - stock option exercises	3,750	1,981	-	(563)	-	-	-	-	1,418	-	1,418
Shares issued - share warrant exercises	1,171,600	359,208	(12,558)	-	-	-	-	-	346,650	-	346,650
<b>Balance, August 31, 2017</b>	78,396,275	52,190,322	2,281,984	3,609,865	13,866	(164,205)	243,766	(28,481,801)	29,693,797	47,280,963	76,974,760

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

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

**(Continued)**

	Share Capital		Reserves				Accumulated Other Comprehensive Income (Loss)	Deficit	Total Shareholders' Equity	Non- Controlling Interests	Total Equity
	Number of Common Shares	Dollar Amount	Warrants	Share-Based Payments	Ownership Changes	Treasury Shares					
<b>Balance, August 31, 2017</b>	78,396,275	52,190,322	2,281,984	3,609,865	13,866	(164,205)	243,766	(28,481,801)	29,693,797	47,280,963	76,974,760
<b>Unrealized translation adjustments</b>	-	-	-	-	-	-	107,362	-	107,362	2,706	110,068
<b>Net income (loss) for the period</b>	-	-	-	-	-	-	-	11,769,371	11,769,371	4,876,397	16,645,768
							107,362	11,769,371	11,876,733	4,879,103	16,755,836
<b>Share-based payments</b>	-	-	-	200,931	-	-	-	-	200,931	-	200,931
<b>Payments to non-controlling interests</b>	-	-	-	-	-	-	-	-	-	(380,075)	(380,075)
<b>Non-controlling interests contributions</b>	-	-	-	-	-	-	-	-	-	47,200,804	47,200,804
<b>Purchase of treasury shares</b>	-	-	-	-	-	(175,449)	-	-	(175,449)	-	(175,449)
<b>Shares issued - stock option exercises</b>	10,000	6,030	-	(2,250)	-	-	-	-	3,780	-	3,780
<b>Shares issued - share warrant exercises</b>	476,190	357,143	-	-	-	-	-	-	357,143	-	357,143
<b>Shares issued - conversion of debentures</b>	6,075	4,800	-	-	-	-	-	-	4,800	-	4,800
<b>Balance, May 31, 2018</b>	78,888,540	\$ 52,558,295	\$ 2,281,984	\$ 3,808,546	\$ 13,866	\$ (339,654)	\$ 351,128	\$(16,712,430)	\$ 41,961,735	\$ 98,980,795	\$ 140,942,530

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

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

	Three Months Ended May 31, 2018	Three Months Ended May 31, 2017	Nine Months Ended May 31, 2018	Nine Months Ended May 31, 2017
<b>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES</b>				
Net income (loss)	\$ 7,958,031	\$ (1,413,304)	\$ 16,645,768	\$ 6,127,178
Adjusted for items not involving cash:				
- amortization (including agency fees)	481,585	292,167	2,798,523	750,232
- share-based payment expense	77,182	5,288	200,931	17,725
- (gain) loss on disposal of assets	(2,025,278)	1,529	(2,017,446)	(3,869)
- other non-cash items	-	-	1,714	-
- gain on fair value changes in investment properties	-	(1,485,562)	(8,634,612)	(5,741,344)
- loss in equity investee	75,544	319,300	669,951	877,699
- finance fees	316,353	201,867	709,477	548,651
- equity investee adjustments	(36,026)	-	(431,030)	-
- settlement of pre-existing conditions	-	1,149,923	-	1,149,923
	6,847,391	(928,792)	9,943,276	3,726,195
Net changes in non-cash working capital items	1,808,763	484,928	9,563,799	5,056,001
<b>NET CASH FROM (USED IN) OPERATING ACTIVITIES</b>	<b>8,656,154</b>	<b>(443,864)</b>	<b>19,507,075</b>	<b>8,782,196</b>
<b>CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES</b>				
Purchases of property and equipment	(269,078)	(128,549)	(1,412,520)	(1,258,275)
Investment property	(617,606)	(635,117)	(11,653,382)	(33,949,656)
Restricted cash	56	(56,405)	(1,181)	(201,376)
Equity investments	-	(199,992)	-	(576,326)
Deposits on real estate properties	(44,000,000)	(400,000)	(47,000,000)	(500,000)
Acquisition of intangible assets	15,051	(433,081)	(1,537,104)	(972,060)
Disposition of education subsidiary	-	(6,724,922)	-	(6,724,922)
Acquisition of investment and business assets	(15,233,238)	-	(15,233,238)	-
Project development costs and fees	(1,135,949)	(13,461)	(1,912,490)	(198,715)
<b>NET CASH FROM (USED IN) INVESTING ACTIVITIES</b>	<b>(61,240,764)</b>	<b>(8,591,527)</b>	<b>(78,749,915)</b>	<b>(44,381,330)</b>
<b>CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES</b>				
Proceeds from issuance of shares, net of costs	-	850,355	360,923	4,748,888
Treasury share transactions	(121,614)	-	(175,449)	(661,512)
Advances from related parties	192,042	(343,760)	(12,055,096)	(3,004,616)
Promissory note	103,988	5,069,393	217,403	-
Non-controlling interest capital contributions, net	32,091,689	-	46,820,729	10,144,750
Finance lease obligation	(44,558)	(47,741)	(155,182)	(111,454)
Borrowing repayments	(1,679,126)	(46,764)	(10,532,822)	(533,584)
Borrowing advances	19,000,239	3,296,583	39,406,837	29,033,874
Capitalized borrowing costs	(10,050)	(417,178)	(257,594)	(1,118,708)
Deferred costs	(460,793)	486,538	(799,342)	(500,103)
<b>NET CASH FROM (USED IN) FINANCING ACTIVITIES</b>	<b>49,071,817</b>	<b>8,847,426</b>	<b>62,830,407</b>	<b>37,997,535</b>
<b>NET (DECREASE) INCREASE IN CASH</b>	<b>(3,512,793)</b>	<b>(187,965)</b>	<b>3,587,567</b>	<b>2,398,401</b>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON CASH</b>	<b>(1,578)</b>	<b>38,947</b>	<b>97,215</b>	<b>72,447</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b>14,079,537</b>	<b>6,961,836</b>	<b>6,880,384</b>	<b>4,341,970</b>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>\$ 10,565,166</b>	<b>\$ 6,812,818</b>	<b>\$ 10,565,166</b>	<b>\$ 6,812,818</b>

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

**CIBT EDUCATION GROUP INC.**  
**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**MAY 31, 2018**  
**(Unaudited)**

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**NOTE 1 – NATURE OF OPERATIONS**

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**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 Corp. (“SSCC”), IRIX Design Group (“IRIX”), Global Education City Holdings (“GEC”), and Sprott-Shaw Language College Inc. (“SSLC”), which includes Vancouver International College (“VIC”). SSLC is an incorporated wholly-owned subsidiary which acquired several schools which provide predominately English as a Second language programs. The Company’s education business is conducted through CIBT and its subsidiaries in Asia, and through SSCC and SSLC / 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. GEC is an investment holding and management company with a focus on education related real estate projects in Canada. GEC is a registered trademark of the Company.

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 PRESENTATION**

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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, 2017.

The accounting policies applied in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those applied and disclosed in the Company’s audited consolidated financial statements for the year ended August 31, 2017. 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. Certain comparative information has been retrospectively adjusted to reflect the finalization of a business combination transaction (Note 5). No new or amended IFRS pronouncements were adopted during the nine months ended May 31, 2018 and the Company is currently evaluating the potential impact of applying the pronouncements which are applicable to the Company commencing September 1, 2018.

The financial statements were approved by the Company’s Board of Directors and authorized for issue on July 15, 2018.

**Significant accounting judgements and key sources of estimate uncertainty**

In the preparation of the consolidated financial statements and the application of the Company’s accounting policies, management is required to make judgements, estimates and assumptions that affect the carrying amounts of assets and liabilities and disclosure of contingent liabilities at the dates of the consolidated financial statements and the reported amounts of revenues and expenses during each reporting period. The estimates and associated assumptions are limited by the relevance of historical data and uncertainty of future events. Actual results could differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

In preparing the Company’s unaudited condensed consolidated interim financial statements for the three and nine months ended May 31, 2018, 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, 2017.

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**NOTE 3 – REAL ESTATE DEVELOPMENT**

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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. 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 Projects are held in limited partnerships with limited partnership 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 all general partners are wholly-owned subsidiaries of Global Education City<sup>®</sup> Holdings Inc. ("Global Education Holdings") which 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 following summarizes events and transactions that are significant to an understanding of the changes in each Project since the fiscal year ended August 31, 2017.

**GEC Project 1 Acquisition**

On October 18, 2017, CIBT Holdings entered into an amendment to the February 2016 share purchase agreement with the developer resulting in the take-over of GEC Project 1 from the Developer. CIBT Holdings agreed to pay \$12,938,931 to the Developer to assume GEC Project 1, which was assigned to GEC LP 1A. The \$4,300,000 refundable deposits paid to the Developer at August 31, 2017 were applied to the purchase price. There are no other funding commitments to the original developer and the previous commitment amount is no longer due. Development of the property is expected to commence in early 2019, and the property is considered an investment property.

**GEC Project 4 Transaction**

In January 2018, Global Education Holdings entered into a Purchase and Sale Agreement with the majority owner of the limited partnership that owned one of the GEC branded downtown Vancouver properties ("GEC Project 4") to acquire that partner's equity interest for \$14,250,000. The transaction closed on March 15, 2018, and on that date an entity controlled by the Company held 100% interest in GEC LP 4. Directly after the purchase of the units, GEC LP 4 sold the shares in the bare trustee, which holds legal title to the land and building of GEC Project 4, to GEC LP 8 for \$57,000,000.

The Company concluded that the acquired assets of GEC Project 4 constituted a business and accordingly the transaction was accounted for as a business combination. The Company's purchase price allocation is preliminary pending obtaining additional information regarding estimates of fair values and costs made at the date of purchase. The adjustments to finalize the purchase price allocation which may be made during the measurement period could be significant and impact future impairment tests. There was no contingent consideration.

The Company recognized a gain on the sale of shares of the bare trustee of \$2,025,278, after eliminating the intercompany portion of the gain.

**GEC Project 7**

On February 1, 2018, GEC LP 7 and the developer Weststone Group ("Weststone") executed a term sheet to enter into the third amendment to the original Purchase and Development Agreement ("PDA"). GEC LP 7 paid a \$2,000,000 execution advance to Weststone associated with reimbursements, costs or claims under the PDA to November 30, 2017 associated with the signing of this term sheet. At May 31, 2018, total refundable deposits of \$2,500,000 (August 31, 2017 - \$500,000) were paid under the PDA. The third amendment expired during the three months ended May 31, 2018 and the original PDA continues to be in place and GEC LP 7 continues to negotiate the terms of a revised deal for the construction of this Project.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

MAY 31, 2018

(Unaudited)

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

**GEC Project 8**

In October 2017, in anticipation of a transaction with GEC Project 4, a new limited partnership (“GEC LP 8”) was formed and a subsidiary of the Company became the general partner of this limited partnership. On March 15, 2018, GEC LP 8 purchased the shares of the bare trustee holding legal title to the land and building from GEC LP 4, which is used as a student residence, for \$57,000,000. The Company recognized this as an addition to Property and equipment on the Condensed Consolidated Interim Statement of Financial Position at May 31, 2018 as they assessed that it did not meet the criteria for investment property classification. The Company concluded that the acquired assets of GEC Project 4 constituted a business and accordingly the transaction was accounted for as a business combination. The Company’s purchase price allocation is preliminary pending obtaining additional information regarding estimates of fair values and costs made at the date of purchase. The adjustments to finalize the purchase price allocation which may be made during the measurement period could be significant and impact future impairment tests. The purchase consideration has been allocated to the land and building based on their relative fair values.

GEC LP 8 entered into two debt agreements associated with the purchase of the property (Note 7).

Management has determined that the Company and certain of its subsidiaries have control over GEC LP 8 and, accordingly, have consolidated the results of GEC LP 8 for the period after its formation. At May 31, 2018, the Company held 46.67% interest in GEC LP 8. The remaining units are held by a group of investors, and their rights were determined to be protective and not substantive and did not preclude the Company having control. To fund the transaction GEC LP 8 secured \$9,600,000 of capital funding from third-party investors and earned a development fee of \$2,285,715 in the nine months ended May 31, 2018.

**GEC Project 9**

In February 2018, a new limited partnership (“GEC LP 9”) was formed and a subsidiary of the Company became the general partner of this limited partnership. On February 28, 2018, GEC LP 9 entered into a definitive Purchase and Development Agreement (“Project 9 PDA”) with a Vancouver developer, whereby the developer will construction a complex of which the GEC development portion will consist of one office tower and two residential towers, and GEC LP 9 will purchase the GEC development portion from the developer. GEC LP 9 is required to pay deposits totaling \$65,000,000 at dates ranging to December 15, 2018, and as at May 31, 2018, \$45,000,000 of these deposits were paid. Additional deposits will be funded from subscriptions from qualified investors in GEC LP 9.

Management has determined that the Company and certain of its subsidiaries have control over GEC LP 9 and, accordingly, have consolidated the results of GEC LP 9 for after its formation, notwithstanding the fact that the Company owns less than the majority of voting units (20%) at May 31, 2018. The remaining units are held by a group of investors, and their rights were determined to be protective and not substantive and did not preclude the Company having control.

**Other Information**

Development fees earned and recognized associated with the projects were as follows:

	Three Months Ended May 31, 2018	Three Months Ended May 31, 2017	Nine Months Ended May 31, 2018	Nine Months Ended May 31, 2017
GEC Project 5	\$ -	\$ -	\$ -	\$ 1,428,571
GEC Project 6	-	-	-	2,660,715
GEC Project 7	19,505	-	1,376,610	1,505,953
GEC Project 8	-	-	2,285,715	-
GEC Project 9	8,000,057	-	8,000,057	-
	\$ 8,019,562	\$ -	\$ 11,662,382	\$ 5,595,239

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

MAY 31, 2018

(Unaudited)

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

The following table presents amounts expensed by the Company under head leases entered into with various limited partnerships which hold the real estate projects and under these agreements minimum and additional rents are due to the limited partnership. Third-party rents accrue to the benefit of the Company and offset these amounts, generally resulting in a net cash inflow to the Company. Additional rents may not be known until the end of the year.

	Three Months Ended		Nine Months Ended	
	May 31, 2018	May 31, 2017	May 31, 2018	May 31, 2017
GEC Project 3	\$ 799,670	\$ 425,773	\$ 2,068,984	\$ 1,274,560
GEC Project 4	261,731	1,332,364	2,944,298	3,727,517
GEC Project 8 <sup>(1)</sup>	1,129,809	-	1,129,809	-
GEC Project 5	318,231	318,232	954,695	752,807
	\$ 2,509,441	\$ 2,076,369	\$ 7,097,786	\$ 5,754,884

<sup>(1)</sup> The head lease agreement was assumed on March 15, 2018 by GEC LP 8. Amounts recognized to and including March 14, 2018 are associated with GEC LP 4.

**Due to Arm's Length Parties**

At May 31, 2018, the Company owed \$5,666,387 (August 31, 2017 - \$Nil) to certain parties as the result of advances provided either: (a) from prospective third-party investors in certain limited partnership for the proposed sale of partnership units which represent a payable until units are subscribed; or (b) from other parties associated with other limited partnership agreements. Other amounts have no fixed term of repayment and no amounts attract interest.

**NOTE 4 – INVESTMENT PROPERTIES**

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

	May 31, 2018	August 31, 2017
Balance, beginning of period	\$ 101,010,000	\$ 49,900,000
Acquisition costs	12,938,931	35,661,184
Transaction costs	10,980	126,820
Additions during the period	2,929,118	3,303,077
Interest on borrowings capitalized during the period	1,691,559	1,548,598
Gain on fair value during the period	8,634,612	10,470,321
Investment property reclassified as asset held for sale	(5,600,000)	-
Balance, end of period	\$ 121,615,200	\$ 101,010,000

On initial recognition investment properties were recorded at consideration paid plus transaction costs. The Company selected the fair value model to apply to its investment properties. At May 31, 2018, the Company's investment properties include GEC Property 1, 3, 5, and 6 and at August 31, 2017 included GEC Property 3, 5 and 6.

**GEC Project 1**

The property was purchased in October 2017 at a cost of \$12,938,931, and at May 31, 2018, the fair value of the property was determined to be \$20,363,774 under the direct comparison approach using \$450.00 per square foot buildable. The fair value gain represents the assessed value of the buildable area on a rezoned basis. During the three and nine months ended May 31, 2018, a fair value gain of \$Nil and \$5,246,165 (2017 - \$Nil) was recognized. During the three and nine months ended May 31, 2018, \$111,124 and \$755,793 of borrowing costs on the qualifying asset were capitalized. In February 2016, 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, was reclassified as additions to the property on purchase from deferred assets.

**NOTE 4 – INVESTMENT PROPERTIES (cont'd)**

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**GEC Project 1 (cont'd)**

During the three and nine months ended May 31, 2018 there were \$10,500 and \$26,532 (2017 - \$Nil) of rental revenues which were offset by \$7,678 and \$19,476 (2017 - \$Nil) of direct operating expenses associated with the investment property. Direct operating expenses that did not generate income in the three and nine months ended May 31, 2018 were \$8,606 and \$41,125 (2017– \$Nil).

**GEC Project 3**

The Company determined the fair value of the property as at May 31, 2018 to be \$55,564,025 (August 31, 2017 - \$54,110,000) under the income approach. In June 2015, GEC LP 3 commenced renovations to convert the majority of the office and residential rental units into student housing. A portion of these renovations were completed during the year ended August 31, 2016 with the remaining renovations substantially completed by November 2017. During the nine months ended May 31, 2018, the fair value of the property increased from development costs and capitalized borrowing costs. Borrowing costs were expensed following the completion of the qualifying asset in November 2017.

During the three and nine months ended May 31, 2018 there were \$648,740 and \$1,528,751 (2017- \$435,675 and \$1,160,422) of rental revenues which were offset by \$240,497 and \$722,557 (2017 - \$194,780 and \$583,491) of direct operating expenses associated with the investment property. Direct operating expenses that did not generate income in the three and nine months ended May 31, 2018 were \$752,735 and \$1,936,532 (2017– \$348,567 and \$1,111,192).

In May 2018, GEC LP 3 entered into a purchase and sale agreement for the proposed sale of its beneficial ownership in the Property. The agreement contemplates the sale and leaseback of the Property for use in the Company's student housing arm and is subject to certain conditions before closing which has not yet occurred.

**GEC Project 5**

The Company determined the fair value of the property as at May 31, 2018 to be \$23,900,000 inclusion of the value classified as held for sale (August 31, 2017 - \$23,900,000) under the income approach. During the three and nine months ended May 31, 2018, a fair value gain of \$Nil and \$Nil (2017 - \$1,485,562 and \$3,584,291) was recorded.

The property was purchased in October 2016 and during the three and nine months ended May 31, 2018 there were \$227,039 and \$651,024 (2017 - \$149,492 and \$317,409) of rental revenues which were offset by direct operating expenses that generated rental income of \$105,135 and \$256,469 (2017 - \$59,479 and \$144,119). Direct operating expenses that did not generate income in the three and nine months ended May 31, 2018 were \$353,275 and \$1,080,876 (2017 - \$357,667 and \$760,620).

***Held for Sale Assets***

In December 2017, GEC LP 5 entered into an agreement for the sale of the commercial units of this property. The sale is anticipated to close before the end of the fiscal year ending August 31, 2018. At May 31, 2018, the fair value of the assets which are expected to be sold of \$5,600,000 have been presented as Held for Sale assets on the Condensed Consolidated Interim Statements of Financial Position. Management believes that the best estimate of the fair value of these commercial units is the expected net sales proceeds which represents the amount exchanged in an orderly transaction under current market conditions. The sale of these assets does not meet the discontinued operations criteria.

**GEC Project 6**

The Company determined the fair value of the property as at May 31, 2018 to be \$27,387,401 (August 31, 2017 - \$23,000,000) under the direct comparison approach. During the three and nine months ended May 31, 2018, a fair value gain of \$Nil and \$3,388,447 (2017 - \$Nil and \$2,157,053) was recorded.

The property was purchased in September 2016 and during the three and nine months ended May 31, 2018, there was \$39,309 and \$117,927 (2017 – \$49,572 and \$102,972) of rental revenues which were offset by direct operating expenses that generated rental income of \$39,110 and \$119,269 (2017 - \$64,143 and \$100,277). Direct operating expenses that did not generate income for the same period were \$76,365 and \$527,626 (2017 - \$88,524 and \$743,453).

**NOTE 4 – INVESTMENT PROPERTIES (cont'd)**

*Fair value measurement*

As discussed in Note 20(2)(ii) presented in the Company's consolidated financial statements for the year ended August 31, 2017, investment properties were valued on August 31, 2017 using the income capitalization approach and/or direct comparable approach dependent on the highest and best use for the specific property. Valuations were carried out by external qualified appraisers with recent experience valuing investment properties in similar locations to those being valued. The valuation for GEC Project 3 was adjusted for financial statement purposes to consider the building was still under construction at August 31, 2017. The Company determined the fair value of GEC Property 3 and GEC Property 5 using the income approach which applies a capitalization rate to the projected net operating income for the property which converts the income stream into the present value of the property. The Company determined the fair value of the GEC Property 6 using the direct comparison approach as the property is under development. A valuation for the GEC Project 1 purchased in October 2017 was carried out by an external qualified appraiser based on the direct comparison approach. At May 31, 2018 the fair value of the investment property was determined internally by the general partner of GEC Project 1 taking into consideration such valuation. The valuation of investment properties is a level 3 fair value measurement as it involves significant unobservable inputs and fluctuations in the inputs could significantly alter the fair value. During the three and nine months ended May 31, 2018, fair value gains of \$Nil and \$8,634,612 (2017 - \$1,485,562 and \$5,741,344) were recorded on the Condensed Consolidated Interim Statements of Income.

**NOTE 5 – ACQUISITION OF KGIC INC.**

On January 25, 2017, a subsidiary of the Company, 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 was owed by KGIC Inc. ("KGIC"). As a result of the Debt Assignment, SSLC, as secured creditor, made an application to the British Columbia Supreme Court (the "Court") which resulted in KGIC being placed under receivership. The Company closed two private placements 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 the operating assets of KGIC and the shares of two KGIC entities. 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 "KGIC Transaction"). The KGIC Transaction closed on March 29, 2017, which was the acquisition date. The new acquisition is being integrated with the Company's existing education assets in Canada. On the acquisition date, 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.

*Settlement of transactions under a pre-existing relationship*

Transactions between the Company and its subsidiaries and KGIC, the Bank and the KGIC Receiver have been assessed to be pre-existing relationships which existed before the acquisition date. The purchase price was paid via the settlement of the Debt and the payment on costs as reflected below. In the purchase and sale agreement the Court agreed that the fair value of the net assets acquired was \$5,575,000 and represents the consideration transferred in exchange for KGIC. There was no contingent consideration.

<u>Pre-existing conditions settled on acquisition:</u>	
Payment to assume Bank debt	\$ 3,100,000
Revolving credit facility with Receiver	2,922,423
Management fee for agent services	180,000
Payment of costs on behalf of Receiver	367,469
Additional costs	155,030
	<u>\$ 6,724,922</u>
Purchase Price	5,575,000
Loss on settlement of pre-existing condition	\$ 1,149,922

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

MAY 31, 2018

(Unaudited)

## NOTE 5 – ACQUISITION OF KGIC INC. (cont'd)

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 reported the business combination in the three months ended May 31, 2017 at which time the purchase price allocation was preliminary. The following table summarizes the fair values of the identifiable assets acquired and liabilities assumed, including the final determination of the purchase price as determined during the three months ended May 31, 2018 as compared to the information presented in the annual financial statements as at August 31, 2017. Adjustments to the previously disclosed provisional amounts and associated balances have been accounted for as if those adjustments had been completed as of the business combination date of March 29, 2017. The original purchase price allocation was reported in the three months ended May 31, 2017, and there were changes to these estimates in the year ended August 31, 2017.

	August 31, 2017	Change	May 31, 2018
Purchase price	\$ 5,575,000		\$ 5,575,000
Accounts receivable	\$ 1,126,018	-	\$ 1,126,018
Other current assets	457,355	-	457,355
Property and equipment	823,406	-	823,406
Intangible assets <sup>(2)</sup>	4,485,544	(2,805,766)	1,679,778
Goodwill <sup>(1)</sup>	1,715,638	2,832,695	4,548,333
Accounts payable	(331,963)	(16,596)	(348,559)
Deferred educational revenue	(2,700,998)	64,366	(2,636,632)
Deferred income tax liability	-	(74,699)	(74,699)
Net identifiable assets acquired equal to purchase price	\$ 5,575,000	-	\$ 5,575,000

(1) The goodwill is attributable to expected synergies from the Company's educational assets and this goodwill is 100% is deductible for tax purposes. Goodwill associated with the purchase of the share capital of two entities previously held by KGIC are not fully deductible for tax purposes resulting in the deferred tax liability.

(2) Intangible asset amortization expense decreased by \$100,000 in the period to August 31, 2017 and \$120,000 in the six months ended February 28, 2018.

(3) At September 1, 2017, opening retained earnings increased by \$161,592 as a result of the cumulative changes from March 29, 2017 to August 31, 2017.

The Company applied the final amounts retrospectively to the three months ended May 31, 2017, resulting in the following:

- The carrying amount of intangibles as of May 31, 2017 decreased by \$8,338,380.
- The carrying amount of goodwill as of May 31, 2017 increased by \$4,548,333.
- Accounts receivable increased by \$12,607.
- Accounts payable increased by \$59,663.
- The carrying amount of deferred educational revenue as of May 31, 2017 decreased by \$71,800.
- Deferred income tax liability totalling \$74,699 was realized associated with the purchase of certain shares of entities within the group.
- Additional information became available related to the measurement of consideration and fair value of assets assumed and the bargain purchase gain of \$1,167,277 previously recognized in the three months ended May 31, 2017 was reversed and a loss on settlement of a pre-existing condition of \$1,149,922 was recognized. Share issuance costs of \$1,548,722 associated with the transaction were recognized associated with the issuance of convertible debentures and other related costs.
- Intangible asset amortization expense decreased by \$25,920 during the three months ended May 31, 2017.

Acquisition-related costs of \$461,190 were expensed in the year ended August 31, 2017 as Business Acquisition Costs on the Condensed Consolidated Interim Statements of Income.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

MAY 31, 2018

(Unaudited)

**NOTE 5 – ACQUISITION OF KGIC INC. (cont'd)**

On August 1, 2017, the Company sold all the issued and outstanding shares of one of the recently acquired KGIC subsidiaries for consideration of \$303,007, consisting of \$250,000 in cash and a \$53,007 promissory note receivable. As the purchase price allocation associated with the larger transaction was not yet finalized, the resulting gain or loss was not recognized initially on sale. As the result of finalizing the purchase price allocation, the Company recorded a gain on sale of the issued and outstanding shares of \$109,362 representing the excess of the consideration over the fair value of this group of assets.

The non-interest bearing promissory note matures on August 1, 2018 and at May 31, 2018, \$10,603 remains due and will be paid on maturity. Transaction costs of \$22,437 were incurred in conjunction with the sale. This entity was not determined to be a significant line of business and thus has not been presented as a discontinued operation.

**NOTE 6 – INTERESTS IN OTHER ENTITIES****(a) Principal Subsidiaries**

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

Entity	Principal place of business	Percentage of Ownership as at	
		May 31, 2018	August 31, 2017
CIBT School of Business & Technology Corp.	China	100%	100%
Sprott Shaw College Corp. <sup>(1)</sup>	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%

(1) Sprott-Shaw Language Corp Inc. "SSLC" is a wholly owned subsidiary of Sprott-Shaw College Corp.

**(b) Non-Controlling Interests**

The following table summarizes the non-controlling interests that are material to the Company.

Subsidiary / division	Non-controlling interest %	
	May 31, 2018	August 31, 2017
Irix Design Group Inc.	49.00%	49.00%
GEC Project 1	76.97%	76.97%
GEC Project 2	57.19%	57.19%
GEC Project 3	80.00%	80.00%
GEC Project 5	75.00%	75.00%
GEC Project 6	72.94%	72.94%
GEC Project 7	80.00%	80.00%
GEC Project 8	53.33%	n/a
GEC Project 9	80.00%	n/a

**(c) Investment in Associates**

On March 1, 2018, an entity controlled by the Company who had an interest in GEC LP 4 which it accounted for using equity accounting as it held significant influence over the operations of GEC LP 4, purchased an additional 10% of GEC LP 4. This additional investment in GEC LP 4 is to be a fair market value. The fair value of this interest is still being determined and is expected to be finalized before August 31, 2018. In a separate transaction on March 15, 2018 (Note 3), an entity controlled by the Company purchased the remaining units resulting in 100% ownership of GEC LP 4 at which time management determined GEC LP 4 was controlled by the Company. GEC LP 4 sold the GEC Project 4 land and building to GEC LP 8 on March 15, 2018. GEC 4 LP will be wound up after all remaining balance sheet accounts have been settled.

**NOTE 6 – INTERESTS IN OTHER ENTITIES (cont'd)**

**Investment in Associates (cont'd)**

At May 31, 2018, the Company no longer has any investments in associates. The following table shows the continuity of the change in the Company's carrying value of its investments in associates. As described in Note 3, certain values are preliminary pending obtaining additional information regarding estimates of fair values.

	GEC LP 4	
Carrying value – September 1, 2017	\$	1,016,361
Purchase of additional 10% interest		1,400,000
Share of net income (loss) in investee		(199,403)
Carrying value at March 1, 2018		2,216,958
Share of net income (loss) in investee		(39,518)
Adjustment on acquisition of control		(2,177,440)
Carrying value – May 31, 2018	\$	-
	GEC LP 4	
Carrying value – September 1, 2016	\$	1,453,445
Share of net income (loss) in investee		(437,084)
Carrying value – August 31, 2017	\$	1,016,361

The following table summarizes the financial information of GEC LP 4 as included in its own financial statements adjusted for differences in accounting policies up to and including March 14, 2018, after which the Company had no interest. The statement of financial position at March 15, 2018 is directly before the transaction with GEC LP 8.

	March 15, 2018	August 31, 2017
Current assets	\$ 38,787,456	\$ 941,760
Non-current assets	-	37,867,453
Total assets	\$ 38,787,456	\$ 38,809,213
Current liabilities	\$ 37,834,385	\$ 896,817
Non-current liabilities <sup>(1)</sup>	-	35,830,590
Total liabilities	\$ 37,834,385	\$ 36,727,407
Net assets (100%)	\$ 935,071	\$ 2,081,806

<sup>(1)</sup> Includes amount due from GEC LP 4 to the Company (Note 13).

	Nine Months Ended May 31, 2018	Nine Months Ended May 31, 2017
Revenues <sup>(2)</sup>	\$ 1,517,693	\$ 2,010,542
Loss from operations	\$ 1,128,745	\$ 1,506,866
Other comprehensive income	-	-
Total comprehensive loss	\$ 1,128,745	\$ 1,506,866
Company's share of total comprehensive loss	\$ 238,921	\$ 301,373

<sup>(2)</sup> For the nine months ended May 31, 2018, includes revenues up to and including March 14, 2018.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

MAY 31, 2018

(Unaudited)

**NOTE 7 – BORROWINGS**

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

	May 31, 2018	August 31, 2017
GEC Project 1 loan	\$ 10,000,000	\$ -
GEC Project 3 loans	31,883,208	30,757,827
GEC Project 5 loans	16,205,818	16,093,171
GEC Project 6 loan	9,352,857	8,446,775
GEC Project 8 loans	39,324,688	-
Convertible debentures	987,492	1,177,207
Credit facility	2,011,650	2,350,317
	<u>109,765,713</u>	<u>58,825,297</u>
Less: current portion	(60,347,549)	(33,362,364)
	<u>\$ 49,418,164</u>	<u>\$ 25,462,933</u>

**GEC Project 1 Debt**

In October 2017, GEC LP 1A obtained a first mortgage for \$10,000,000 for a term of 15 months which bears interest on the advanced principal and outstanding interest, calculated daily, at the blended rate of 8% per annum until maturity. The loan requires monthly payments of interest, with all amounts due on January 31, 2019 or on demand in the case of default. Full repayment of the loan before maturity date is permitted with no penalty after Lender has received six monthly interest payments. Borrowings associated with this debt are classified as current. The loan is secured by a first mortgage over the assets of GEC Project 1, an assignment of rents, and a general assignment of all fixed price contracts, development permits and plans related to the proposed development of GEC Project 1. GEC LP 1A will also pay the insurance coverage with a loss payable provision in favor of the Lender.

During the three and nine months ended May 31, 2018, interest expense of \$111,124 and \$148,293 was incurred in addition to other borrowing costs, all of which was capitalized to the GEC Project 1 investment property.

**GEC Project 3 Debt**

GEC Project 3 is financed by two loans. During the nine months ended May 31, 2018, there were \$906,598 of principal draws against one of the loans increasing the principal balance. Borrowings associated with this debt are classified as current and one of the loans was extended on June 1, 2018 for an additional seven months and the remaining loan matures on July 31, 2018 (Note 14). During the three and nine months ended May 31, 2018, a total of \$76,005 and \$229,203 (2017 - \$74,985 and \$222,994) of finance costs were expensed. In addition, during the three and nine months ended May 31, 2018, a total of \$526,083 and \$1,539,166 (2017 - \$452,364 and \$1,319,304) of interest was accrued of which \$179,160 was included in accounts payable and accrued liabilities as of May 31, 2018 (August 31, 2017 - \$161,911). Of the total interest incurred on this loan to date of \$6,116,531, a total of \$Nil and \$213,744 was capitalized to the GEC Project 3 investment property during the three and nine months ended May 31, 2018, resulting in total capitalized interest of \$3,084,024 (August 31, 2017 - \$2,870,280).

**GEC Project 5 Debt**

At May 31, 2018, borrowings associated with this debt are classified as current and GEC LP 5 expects to renegotiate the debt in connection with the sale of the commercial units of the building. During the three and nine months ended May 31, 2018, a total of \$39,567 and \$121,647 (2017 - \$43,780 and \$103,579) of finance costs were expensed. In addition, during the three and nine months ended May 31, 2018, interest expense of \$266,845 and \$772,285 (2017 - \$235,339 and \$552,623) was incurred on loans associated with this project. Interest of \$89,633 was included in accounts payable and accrued liabilities as of May 31, 2018 (August 31, 2017 - \$82,753).

**NOTE 7 – BORROWINGS (cont'd)**

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**GEC Project 6 Debt**

On November 1, 2017, GEC LP 6 obtained a loan for a total of \$9,500,000 which matures on December 1, 2018 bearing interest at a blended rate of 8.6% until the loan is repaid. The borrower has two rights to extend the maturity date of the loan by six months subject to certain provisions, including payment of extension fees. The loan requires twelve monthly interest payments of \$77,583 commencing December 1, 2017 and monthly payments of \$125,083 on November 1, 2018 and thereafter until the loan is repaid. The loan is eligible for full prepayment before July 1, 2018, subject to a prepayment fee. The loan is secured by a first mortgage over the assets of GEC Project 6, a general security agreement for the present and after acquired personal property of the borrower, an unlimited guarantee of Global Education Holdings and a guarantee by SSCC of the interest due. GEC LP 6 will also pay the insurance coverage with a loss payable provision in favor of the Lender. In addition, the lender has the right to provide first mortgage financing for the adjacent lands that GEC LP 6 has the option to purchase. The previous September 2016 mortgage was repaid on maturity in October 2017.

During the three and nine months ended May 31, 2018, \$Nil and \$328,128 in finance costs were incurred which have been included in the carrying value of the mortgage and will be accreted as finance costs over the term on an effective interest basis. During the three and nine months ended May 31, 2018, a total of \$76,364 and \$234,209 of these costs were expensed. During the three and nine months ended May 31, 2018, interest expense of \$232,750 and \$722,022 was incurred, all of which was capitalized to the investment property. Interest expense associated with the previous mortgage for the three and nine months ended May 31, 2017 was \$191,250 and \$514,192, all of which was capitalized. Interest of \$77,583 was included in accounts payable and accrued liabilities as of May 31, 2018 (August 31, 2017 - \$63,750).

**GEC Project 8 Debt**

On March 15, 2018, GEC LP 8 assumed a loan previously held by GEC LP 4 of \$22,500,000 and repaid \$1,500,000 of the principal on the same date. The loan matures in September 2019 and bears interest at prime plus 2.0% per annum, with interest only payments due monthly and the principal due on maturity. The loan is eligible for prepayment. The loan is secured by a first mortgage over the assets of GEC Project 8, a general security agreement and an assignment of rents and a guarantee by Global Education Holdings.

In addition, on March 15, 2018, GEC LP 8 obtained a loan for \$19,000,000 which matures in December 2019 and bears interest at the blended rate of 10.7%, reset monthly, and subject to increases in the prime rate, with interest only monthly payments and principal due on maturity. GEC LP 8 may prepay the entire loan subject to minimum interest restrictions. The loan is secured by a second mortgage over the assets of GEC Project 8, a general security agreement and an assignment of rents and a guarantee by various of the Company's subsidiaries.

During the three months ended May 31, 2018, \$799,728 of financing costs were incurred associated with the GEC Project 8 borrowings which have been included in the carrying value of the mortgages and will be accreted as finance costs over the terms on an effective interest basis. During the three and nine months ended May 31, 2018, a total of \$124,416 and \$124,416 (2017 - \$Nil and \$Nil) of these costs were expensed. In addition, during the three and nine months ended May 31, 2018, a total of \$667,771 and \$667,771 (2017 - \$Nil and \$Nil) of interest was accrued of which \$266,643 was included in accounts payable and accrued liabilities as of May 31, 2018 (August 31, 2017 - \$Nil).

**Credit Facility**

At May 31, 2018, the outstanding balance of Facility A was \$2,011,650 (August 31, 2017 - \$2,350,317). During the three and nine months ended May 31, 2018, interest expense of \$26,021 and \$79,125 (2017 - \$10,639 and \$10,639) was incurred. At May 31, 2018, Facility B remained undrawn. At May 31, 2018, the Company had letters of credit outstanding of \$125,000 (August 31, 2017 - \$25,000). The facilities are eligible for early prepayment in part or full and are subject to certain covenants and guarantees.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

MAY 31, 2018

(Unaudited)

**NOTE 7 – BORROWINGS (cont'd)****Convertible Debentures**

During the nine months ended May 31, 2018, scheduled principal payments of \$184,915 (2017 - \$Nil) and scheduled interest payments were made to debenture holders. In addition, holders of \$4,800 of convertible debentures elected to convert debentures at the stated price of \$0.79 per share resulting in the issuance of 6,075 common shares. The balance presented in the table above is comprised of principal. Accrued principal and interest payments at May 31, 2018 of \$24,273 (August 31, 2017 - \$25,592) are included in accounts payable and accrued liabilities. Interest expense in the three and nine months ended May 31, 2018 was \$10,731 and \$32,621 (2017 - \$Nil and \$Nil).

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

Details of share purchase warrants outstanding and exercisable as at May 31, 2018 are as follows:

Number of Warrants	Exercise Price	Expiry Date	Remaining Contractual Life
1,211,946	\$0.75	February 22, 2019	0.73 years
<u>792,750</u>	\$0.75	March 10, 2019	0.77 years
<u>2,004,696</u>			

**Stock options**

Details of options outstanding as at May 31, 2018 are as follows:

Number of Options	Exercise Price	Expiry Date	Remaining Contractual Life
30,000	\$0.37	July 10, 2019	1.11 years
122,500	\$0.38	July 21, 2021	3.14 years
150,000	\$0.41	August 5, 2021	3.18 years
100,000	\$0.86	May 4, 2022	3.93 years
1,165,000	\$0.78	August 1, 2022	4.17 years
200,000	\$0.74	January 23, 2023	4.65 years
<u>100,000</u>	\$0.75	March 16, 2023	4.79 years
<u>1,867,500</u>			

As at May 31, 2018, a total of 556,250 stock options were exercisable with a weighted average exercise price of \$0.66 per share.

**NOTE 9 – TREASURY SHARES**

In accordance with Toronto Stock Exchange (“TSX”) Exchange approval and the provisions of a normal course issuer bid (“NCIB”), the Company from time to time acquires its own common shares into treasury.

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

	Number	Value
Balance, August 31, 2017	255,000	\$ 164,205
Purchases of treasury shares	<u>234,500</u>	<u>175,449</u>
Balance, May 31, 2018	<u>489,500</u>	<u>\$ 339,654</u>

**NOTE 10 – FINANCIAL INSTRUMENTS AND RELATED RISKS**

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(a) Fair value of financial instruments

The Company's financial instruments are described in Note 20 to the Company's consolidated financial statements for the year ended August 31, 2017. During the three and nine months ended May 31, 2018, there were no additional classes of assets or liabilities and no change in the measurement basis of these classes. Recurring fair value measurements include the convertible debentures and investment properties. The convertible debentures include a derivative liability which has been fair valued at \$Nil, with the principal balance representing the fair value of the convertible debt at each reporting period. The investment properties have been fair valued at highest and best use as further described below with the resulting fair values disclosed in Note 4.

At May 31, 2018 and August 31, 2017 there were no financial assets and financial liabilities measured and recognized at fair value on a non-recurring basis. There were no transfers between Level 1, 2 or 3 during the nine months ended May 31, 2018.

*Valuation on investment properties*

The key valuation techniques used in measuring fair values of investment properties are the income approach and the direct comparison approach depending on the property. There were no changes to the valuation techniques of level 3 fair value measurements in the nine months ended May 31, 2018 from the prior year. During the nine months ended May 31, 2018, an investment property was purchased, and the direct comparison approach was used in measuring the fair value of the properties. Except for the new property there have been no significant changes in the valuation methodologies or inputs used in the sensitivity analysis for the investment properties at August 31, 2017.

(b) Financial instruments and related risks

The Company's exposures to financial risks and how the Company manages each of those risks are described in Note 23 to the Company's consolidated financial statements for the year ended August 31, 2017. There were no significant changes to the Company's exposures to those risks or to the Company's management of its exposures during the three and nine months ended May 31, 2018 except as noted below.

**Liquidity risk**

Cash and cash equivalents as at May 31, 2018 were \$10,565,166 (August 31, 2017 - \$6,880,384). At May 31, 2018, the Company was in a \$73,722,708 working capital deficit position. Total working capital deficit increased during the nine months ended May 31, 2018, as \$60,347,549 of borrowings were classified as current liabilities at May 31, 2018 due to the timing of maturity and investment property activity, there were additional amounts payable and increased deferred educational revenue which represent the future cost to fulfil associated revenues. These decreases in working capital were offset by an increase in cash and cash equivalents and accounts receivable.

Total working capital deficit increased in the year ended August 31, 2017 associated with borrowings of GEC LP 3 classified as current. The Company's management believes that despite the working capital deficit, that they have demonstrated that entities controlled by the Company are able to secure financing and believe new financing will be secured before maturity of existing borrowings. Current terms of mortgages do not require cash outflow until the Fourth Quarter of Fiscal 2018. The majority of commitments due by limited partnerships controlled by the Company are fully funded from the sale of partnership units in these limited partnerships.

During the nine months ended May 31, 2018, new debt agreements were executed for: (a) additional borrowings of \$10,000,000 associated with the purchase of GEC Project 1; (b) GEC Project 6 loan was repaid and new borrowings of \$9,500,000 were received; and (c) two new debt agreements were executed totalling \$40,000,000 associated with the purchase of GEC Project 8 (Note 7).

**Commitments**

In the normal course of business, the Company enters into contracts that give rise to commitments for future minimum payments as presented in Note 23 to the Company's consolidated financial statements for the year ended August 31, 2017. During the nine months ended May 31, 2018, there were no significant changes to those commitments except for borrowings which are described above.

**NOTE 10 – FINANCIAL INSTRUMENTS AND RELATED RISKS (cont'd)**

**Commitments (cont'd)**

In addition, the Company has other commitments associated with the student housing arm of the business as presented in Note 22 to the consolidated financial statements for the year ended August 31, 2017. These commitments will be funded from the sale of partnership units to investors in various real estate limited partnerships and borrowings secured by mortgages and to such extent do not represent a net cash outflow for the Company. Total commitments at May 31, 2018 did not vary significantly from August 31, 2017 balances with the exception of the following.

- The commitment amount was recalculated at \$54,000,000 over the term of the current head leases from 2018-2026, with \$7,300,000 due in the year ending August 31, 2018. A total commitment of \$73,350,000 was previously disclosed. This change did not impact the recognition of any financial statement balances. Furthermore, the Company expects that this commitment will decrease during the year ending August 31, 2018 as certain head leases may be renegotiated.
- At May 31, 2018, a total of approximately \$437,187,000 (August 31, 2017 - \$289,650,000) has been committed by the limited partnerships of which the Company is an investor for the purchase of certain real estate developments, of which approximately \$39,000,000 is due under current agreements in the three months ending August 31, 2018, with the remainder payable within the next four fiscal years. At August 31, 2017, commitments were associated with GEC Project 2 and GEC Project 7. The new commitments in nine months ended May 31, 2018 relate to GEC Project 9.

**NOTE 11 – GENERAL AND ADMINISTRATIVE EXPENSES**

General and administrative expenses are comprised of the following:

	Three Months Ended May 31, 2018	Three Months Ended May 31, 2017	Nine Months Ended May 31, 2018	Nine Months Ended May 31, 2017
Advertising	\$ 1,356,190	\$ 654,125	\$ 3,718,503	\$ 2,276,948
Bank charges and interest	103,079	102,388	269,789	202,552
Consulting and management fees	257,510	407,896	778,817	1,465,777
Directors insurance	-	-	46,881	16,515
Investor relations	24,458	22,689	116,908	190,834
Office and general	893,675	737,378	2,451,104	1,811,471
Professional fees	749,718	703,065	1,732,088	1,422,898
Rent	1,470,052	1,413,186	4,545,900	3,110,176
Salaries and benefits	3,099,995	2,485,621	9,105,606	6,525,414
Travel and promotion	99,512	141,450	323,627	337,723
	\$ 8,054,189	\$ 6,667,798	\$ 23,089,223	\$ 17,360,308

**NOTE 12 – SUPPLEMENTAL CASH FLOW INFORMATION**

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

	Three Months Ended May 31, 2018	Three Months Ended May 31, 2017	Nine Months Ended May 31, 2018	Nine Months Ended May 31, 2017
Accounts receivable	\$ 1,212,300	\$ (57,915)	\$ (2,567,301)	\$ (1,942,836)
Prepaid expenses	(371,667)	(838,911)	(408,185)	(712,104)
Inventory	135,481	(34,757)	(175,169)	(155,887)
Accounts payable and accrued liabilities	1,267,779	817,251	2,313,872	2,752,792
Due to arm's length parties	(530,930)	-	5,666,387	-
Income taxes payable	(123,615)	2,215	(121,881)	965
Deferred educational revenues	219,415	421,724	4,756,076	4,090,458
Cash held in trust	-	175,321	100,000	1,022,613
	\$ 1,808,763	\$ 484,928	\$ 9,563,799	\$ 5,056,001

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

**NOTE 13 – RELATED PARTY TRANSACTIONS**

The Company's related parties include its subsidiaries, associates over which it exercises significant influence, and key management personnel. During its normal course of operation, the Company enters into transactions with its related parties for goods and services. Transactions with related parties are in the normal course of operations and are measured at fair value.

The balances due from or to related parties include:

	May 31, 2018	August 31, 2017
Accounts receivable - Weifang University (1)	\$ 6,248,045	\$ 4,695,090
Accounts payable - Weifang University (1)	\$ 2,725,585	\$ 1,525,051
Due from officers, employees, directors and non-arm's length investors (2)	\$ 151,517	\$ 2,776,320
Due to officers, employees, directors and non-arm's length investors (4)	\$ 873,419	\$ 1,002,447

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. There have been no changes in this arrangement since August 31, 2017.

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

	May 31, 2018	August 31, 2017
Due from Investor of GEC Project 2 <sup>(1)</sup>	\$ -	\$ 635,000
Due from Beihai College <sup>(2)</sup>	151,517	179,398
Due from GEC LP 4 <sup>(3)</sup>	-	1,961,922
	\$ 151,517	\$ 2,776,320

<sup>(1)</sup> Amount previously due from an investor in GEC Project 2, which was non-interest bearing with no set terms of payment, was repaid during the three months ended May 31, 2018.

<sup>(2)</sup> The amount due from Beihai College is non-interest bearing with no set terms of repayment.

<sup>(3)</sup> On January 31, 2018, one of the Company's wholly owned subsidiaries accepted a \$12,000,573 promissory note as lender associated with GEC Project 4. Interest income of \$45,109 and \$148,215 was earned in the three and nine months ended May 31, 2018. The promissory note was settled on March 15, 2018.

**NOTE 13 – RELATED PARTY TRANSACTIONS (cont'd)**

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3) Promissory note due from developer of GEC Project 5

GEC LP 5 holds a promissory note due from the developer of Project 5 which is secured by personal guarantees of the directors of the developer. At May 31, 2018, the amount outstanding was \$712,746 (August 31, 2017 - \$930,149) and the note bears interest at 8% per annum, has scheduled repayments and is scheduled to be repaid on or about December 31, 2018.

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

	May 31, 2018	August 31, 2017
Due to officers and directors of the Company	\$ 22,048	\$ 67,548
Due to the President of IRIX	135,737	145,218
Due to Investors of GEC Project 3	715,634	789,681
	<u>\$ 873,419</u>	<u>\$ 1,002,447</u>

The amount due to investors in 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.

During the three and nine months ended May 31, 2018, the Company and its subsidiaries incurred a total of \$226,702 and \$653,107 (2017 - \$172,699 and \$803,091) for management fees and salaries paid to certain directors and officers employed by the Company and its subsidiaries.

**NOTE 14 – SUBSEQUENT EVENTS**

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**Treasury Shares**

Subsequent to May 31, 2018, the Company purchased 10,000 of the Company's common shares at a cost of \$7,305.

**Acquisition of GEC Project 2**

In May 2014, a subsidiary of the Company entered into an agreement with a developer to purchase the completed Project, which comprises two six-story buildings for a cost of \$42,500,000. The occupancy permit for the buildings are expected during July 2018 at which time the Company will purchase the Property and sell its interest to GEC LP 2. The Project is expected to be fully leased within the next six months. The value of the Property has increased substantially since the original agreement. In connection with the pending purchase of Project 2, GEC LP 2 entered into commitment letters for \$37,400,000 of funding to be secured by first and second mortgages against the property, which will be funded concurrently with the purchase of the Project.

**GEC Project 3 Debt**

On June 1, 2018, GEC LP 3 extended its \$10,000,000 loan which was to mature on June 30, 2018, for an additional 7 months under the same terms and conditions as the original loan. A fee of \$50,000 was incurred associated with this extension which will be deferred over the remaining term of the loan. GEC LP 3 has the option to prepay the full amount of principal and interest due subject to providing 30 days written notice to the lender.

**NOTE 15 – 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, where SSLC and VIC operates English language schools, IRIX conducts web design and advertising services, and GEC conducts education related real estate projects. The Company's corporate operations are also in Canada. Transactions between CIBT, SSCC, SSLC / VIC, IRIX, GEC and the Company (Corporate) are reported as inter-segment transactions and are eliminated on consolidation. Inter-segment transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the parties. Information reported to the Company's Chief Executive Officer for the purposes of resource allocation and assessment of segment performance focuses on the Company's business segments by geographic segments. Directly associated with the purchase of KGIC assets, management assessed that SSLC/VIC constituted a reportable segment. At May 31, 2018, VIC is presented as part of the SSLC/VIC reportable segment, whereas VIC was presented as an operating segment at May 31, 2017. For the nine months ended May 31, 2018, VIC had revenues of \$2,600,516 and net income of \$145,136. At May 31, 2018, assets and liabilities of VIC on a stand-alone basis are not available due to the integration of operations. The following information reflects the retrospective adjustment to certain balances as a result of the finalization of the purchase price allocation during the three months ended May 31, 2018.

**Industry and Geographic Segments**

**Nine Months Ended May 31, 2018**

	CIBT (China)	SSCC (Canada)	SSLC / VIC (Canada)	IRIX (Canada)	GEC (Canada)	Corporate (Canada)	Consolidated
Revenues							
Educational	\$ 1,791,567	\$ 25,964,358	\$ 7,204,942	\$ -	\$ -	\$ -	\$ 34,960,867
Design and advertising	-	-	-	839,779	-	-	839,779
Commissions and referral fees	679,826	-	-	-	-	-	679,826
Development fees	-	-	-	-	-	11,662,382	11,662,382
Rental	-	-	-	-	6,552,381	-	6,552,381
	<u>\$ 2,471,393</u>	<u>\$ 25,964,358</u>	<u>\$ 7,204,942</u>	<u>\$ 839,779</u>	<u>\$ 6,552,381</u>	<u>\$ 11,662,382</u>	<u>\$ 54,695,235</u>
Revenues, net of direct costs	\$ 1,033,448	\$ 15,905,951	\$ 2,300,434	\$ 632,085	\$ 2,560,126	\$ 11,662,382	\$ 34,094,426
Other expenses and items:							
General and administrative	(786,668)	(12,513,767)	(4,974,351)	(547,714)	(1,024,419)	(3,242,304)	(23,089,223)
Amortization	(72,184)	(720,832)	(180,914)	(5,796)	(249,788)	(2,820)	(1,232,334)
Share-based payment expense	-	-	-	-	-	(200,931)	(200,931)
Interest and other income	50,778	-	-	2,609	665,310	-	718,697
Foreign exchange gain (loss)	53,405	-	-	12,177	148	(4,742)	60,988
Finance costs	-	(119,432)	-	-	(2,826,432)	(32,621)	(2,978,485)
Finance fees	-	-	-	-	(709,477)	-	(709,477)
Income (loss) from investment in associates	-	-	-	-	(669,951)	-	(669,951)
Business acquisition costs	-	-	-	-	-	-	-
Settlement of pre-existing conditions	-	-	-	-	-	-	-
Gain on fair value changes in investment properties	-	-	-	-	8,634,612	-	8,634,612
Gain (loss) on disposal of assets	-	(7,832)	-	-	2,025,278	-	2,017,446
Income tax recovery (provision), net	-	-	-	-	-	-	-
Inter-segment transactions	-	(416,741)	(121,872)	23,337	343,904	171,372	-
Net income (loss)	<u>\$ 278,779</u>	<u>\$ 2,127,347</u>	<u>\$ (2,976,703)</u>	<u>\$ 116,698</u>	<u>\$ 8,749,311</u>	<u>\$ 8,350,336</u>	<u>\$ 16,645,768</u>

**NOTE 15 – SEGMENTED INFORMATION (cont'd)**

Industry and Geographic Segments	May 31, 2018						Consolidated
	CIBT (China)	SSCC (Canada)	SSLC / VIC (Canada)	IRIX (Canada)	GEC (Canada)	Corporate (Canada)	
Total assets	\$ 3,964,038	\$ 31,638,099	\$ 8,553,339	\$ 239,902	\$ 248,744,712	\$ 1,884,133	\$ 295,024,223
Property and equipment	\$ 131,157	\$ 3,118,712	\$ 525,907	\$ 26,203	\$ 55,949,972	\$ 15,982	\$ 59,767,933
Investment properties	\$ -	\$ -	\$ -	\$ -	\$ 121,615,200	\$ -	\$ 121,615,200
Intangible assets	\$ 628,816	\$ 7,781,908	\$ 1,846,014	\$ -	\$ -	\$ -	\$ 10,256,738
Goodwill	\$ -	\$ 5,218,228	\$ 4,838,025	\$ -	\$ -	\$ -	\$ 10,056,253
Total liabilities	\$ 717,554	\$ 28,736,881	\$ 4,050,569	\$ 221,476	\$ 118,454,869	\$ 1,900,344	\$ 154,081,693
Non-controlling interests	\$ 42,114	\$ -	\$ -	\$ (126,777)	\$ 99,065,458	\$ -	\$ 98,980,795
Capital expenditures	\$ 1,173	\$ 1,057,396	\$ 93,170	\$ 4,682	\$ 256,099	\$ -	\$ 1,412,520

**NOTE 15 – SEGMENTED INFORMATION (cont'd)**

Industry and Geographic Segments	Nine Months Ended May 31, 2017						
	CIBT (China)	SSCC (Canada)	SSLC / VIC (Canada)	IRIX (Canada)	GEC (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
	<u>1,969,869</u>	<u>\$ 21,334,523</u>	<u>\$ 1,949,790</u>	<u>\$ 724,986</u>	<u>\$ 5,258,568</u>	<u>\$ 5,595,239</u>	<u>\$ 36,832,975</u>
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)	(10,767,944)	(931,178)	(523,935)	(833,283)	(3,499,905)	(17,360,308)
Amortization	(58,267)	(567,796)	(22,398)	(13,522)	(84,724)	(3,525)	(750,232)
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	-	(461,190)	-	-	-	-	(461,190)
Settlement of pre-existing conditions	-	(1,149,923)	-	-	-	-	(1,149,923)
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	-
Net income (loss)	<u>\$ 55,533</u>	<u>\$ (747,511)</u>	<u>\$ (49,929)</u>	<u>\$ 72,278</u>	<u>\$ 3,974,996</u>	<u>\$ 2,821,811</u>	<u>\$ 6,127,178</u>

**NOTE 15 – SEGMENTED INFORMATION (cont'd)**

Industry and Geographic Segments	May 31, 2017						
	CIBT (China)	SSCC (Canada)	SSLC / 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

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