



CIBT EDUCATION GROUP INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

MAY 31, 2019

EXPRESSED IN CANADIAN DOLLARS

UNAUDITED

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN 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
EXPRESSED IN CANADIAN DOLLARS
(Unaudited)

	May 31, 2019	August 31, 2018
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 23,253,585	\$ 33,246,248
Restricted cash	250,038	249,550
Trade and other receivables	14,813,513	18,327,693
Promissory note	465,935	862,746
Prepaid expenses	1,913,484	1,729,965
Inventory	844,088	751,742
TOTAL CURRENT ASSETS	41,540,643	55,167,944
Trade and other receivables	176,955	204,126
Deposit reserve	233,923	1,400,000
Investment properties	154,485,672	144,670,000
Property and equipment	61,532,872	62,277,524
Other assets	64,726,283	53,435,953
Intangible assets	9,485,013	9,457,443
Goodwill	10,356,253	10,356,253
Deferred income tax assets	3,867,389	3,867,389
TOTAL ASSETS	\$ 346,405,003	\$ 340,836,632
LIABILITIES		
CURRENT		
Trade and other payables	\$ 14,858,693	\$ 16,596,566
Income taxes payable	892,412	5,069,250
Deferred educational revenue	27,712,701	23,572,827
Current portion of borrowings	62,059,590	28,553,370
TOTAL CURRENT LIABILITIES	105,523,396	73,792,013
Borrowings	54,805,684	87,051,236
Deferred income tax liabilities	9,867,002	8,341,202
TOTAL LIABILITIES	170,196,082	169,184,451
EQUITY		
SHARE CAPITAL	50,785,797	52,039,965
RESERVES	6,241,648	5,692,765
DEFICIT	(6,642,485)	(8,539,545)
ACCUMULATED OTHER COMPREHENSIVE INCOME	293,152	248,034
EQUITY ATTRIBUTABLE TO CIBT EDUCATION GROUP INC. SHAREHOLDERS	50,678,112	49,441,219
NON-CONTROLLING INTERESTS	125,530,809	122,210,962
TOTAL EQUITY	176,208,921	171,652,181
TOTAL LIABILITIES AND EQUITY	\$ 346,405,003	\$ 340,836,632

SUBSEQUENT EVENTS (Note 19)

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 COMPREHENSIVE INCOME
EXPRESSED IN CANADIAN DOLLARS
(Unaudited)

	Three Months Ended May 31, 2019	Three Months Ended May 31, 2018	Nine Months Ended May 31, 2019	Nine Months Ended May 31, 2018
REVENUES				
Educational	\$ 12,438,591	\$ 11,617,801	\$ 36,813,420	\$ 34,960,867
Design and advertising	236,279	289,378	697,008	839,779
Commissions and referral fees	145,573	199,921	569,610	679,826
Development fees	381,062	8,019,562	2,152,762	11,662,382
Rental	2,936,529	2,708,045	8,525,684	6,552,381
	<u>16,138,034</u>	<u>22,834,707</u>	<u>48,758,484</u>	<u>54,695,235</u>
DIRECT COSTS				
Educational	5,625,224	5,142,956	16,161,639	15,891,642
Design and advertising	42,709	57,081	144,573	207,694
Commissions and referral fees	62,280	145,591	302,111	509,218
Rental	1,750,922	1,120,850	5,196,784	3,992,255
	<u>7,481,135</u>	<u>6,466,478</u>	<u>21,805,107</u>	<u>20,600,809</u>
OTHER EXPENSES				
General and administrative	7,802,962	8,054,189	24,051,160	23,089,223
Amortization of property, equipment and intangible assets	547,792	481,585	1,625,266	1,232,334
Share-based payment expense	57,881	77,182	221,540	200,931
	<u>8,408,635</u>	<u>8,612,956</u>	<u>25,897,966</u>	<u>24,522,488</u>
OPERATING INCOME				
	248,264	7,755,273	1,055,411	9,571,938
Interest and other income	685,972	122,650	760,005	718,697
Foreign exchange gain (loss)	(4,783)	998	27,467	60,988
Finance costs	(1,682,270)	(1,554,271)	(4,539,618)	(2,978,485)
Finance fees	66,594	(316,353)	(389,882)	(709,477)
Loss from investment in associates	-	(75,544)	-	(669,951)
Gain on fair value changes in investment properties	-	-	8,100,000	8,634,612
Gain (loss) on disposal of assets	(51,406)	2,025,278	(51,406)	2,017,446
	<u>(737,629)</u>	<u>7,958,031</u>	<u>4,961,977</u>	<u>16,645,768</u>
INCOME BEFORE INCOME TAXES				
	(737,629)	7,958,031	4,961,977	16,645,768
INCOME TAXES - NET RECOVERY (PROVISION)				
	1,032,990	-	727,193	-
NET INCOME				
	<u>\$ 295,361</u>	<u>\$ 7,958,031</u>	<u>\$ 5,689,170</u>	<u>\$ 16,645,768</u>
ATTRIBUTABLE TO:				
CIBT Education Group Inc. shareholders	\$ 1,031,848	\$ 8,499,570	\$ 2,079,062	\$ 11,769,371
Non-controlling interests	(736,487)	(541,539)	3,610,108	4,876,397
NET INCOME				
	<u>\$ 295,361</u>	<u>\$ 7,958,031</u>	<u>\$ 5,689,170</u>	<u>\$ 16,645,768</u>
Basic income per common share				
	\$ 0.01	\$ 0.11	\$ 0.03	\$ 0.15
Diluted income per common share				
	\$ 0.01	\$ 0.11	\$ 0.03	\$ 0.15

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
EXPRESSED IN CANADIAN DOLLARS
(Unaudited)

	Three Months Ended May 31, 2019	Three Months Ended May 31, 2018	Nine Months Ended May 31, 2019	Nine Months Ended May 31, 2018
NET INCOME	\$ 295,361	\$ 7,958,031	\$ 5,689,170	\$ 16,645,768
OTHER COMPREHENSIVE INCOME:				
Items that are or may be reclassified subsequent to profit or loss:				
Exchange differences on translating foreign operations	(10,288)	(1,644)	46,035	110,068
	\$ 285,073	\$ 7,956,387	\$ 5,735,205	\$ 16,755,836
ATTRIBUTABLE TO:				
CIBT Education Group Inc. shareholders	\$ 1,021,802	\$ 8,497,999	\$ 2,124,180	\$ 11,876,733
Non-controlling interests	(736,729)	(541,612)	3,611,025	4,879,103
	\$ 285,073	\$ 7,956,387	\$ 5,735,205	\$ 16,755,836

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 EQUITY
EXPRESSED IN CANADIAN DOLLARS
(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	Equity on Convertible Debt					
Balance, August 31, 2017	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
Unrealized translation adjustments	-	-	-	-	-	-	-	107,362	-	107,362	2,706	110,068
Net income (loss) for the period	-	-	-	-	-	-	-	-	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
Share-based payments	-	-	-	200,931	-	-	-	-	-	200,931	-	200,931
Payments to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(380,075)	(380,075)
Non-controlling interests contributions	-	-	-	-	-	-	-	-	-	-	47,200,804	47,200,804
Purchase of treasury shares	-	-	-	-	-	(175,449)	-	-	-	(175,449)	-	(175,449)
Shares issued - stock option exercises	10,000	3,780	-	-	-	-	-	-	-	3,780	-	3,780
Shares issued - share warrant exercises	476,190	357,143	-	-	-	-	-	-	-	357,143	-	357,143
Shares issued - conversion of debentures	6,075	4,800	-	-	-	-	-	-	-	4,800	-	4,800
Balance, May 31, 2018	78,888,540	\$52,556,045	2,281,984	3,810,796	13,866	(339,654)	-	351,128	(16,712,430)	41,961,735	98,980,795	140,942,530
Unrealized translation adjustments	-	-	-	-	-	-	-	(103,094)	-	(103,094)	(2,273)	(105,367)
Net income (loss) for the period	-	-	-	-	-	-	-	-	8,172,885	8,172,885	20,552,512	28,725,397
								(103,094)	8,172,885	8,069,791	20,550,239	28,620,030
Share-based payments	-	-	-	61,787	-	-	-	-	-	61,787	-	61,787
Payments to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(1,755,760)	(1,755,760)
Non-controlling interests contributions	-	-	-	-	-	-	-	-	-	-	4,524,168	4,524,168
Changes in ownership interests	-	-	-	-	(151,520)	-	-	-	-	(151,520)	(88,480)	(240,000)
Purchase of treasury shares	-	-	-	-	-	(513,699)	-	-	-	(513,699)	-	(513,699)
Treasury share cancellations	(721,000)	(531,455)	-	-	-	531,455	-	-	-	-	-	-
Shares issued - stock option exercises	-	2,250	-	(2,250)	-	-	-	-	-	-	-	-
Shares issued - share warrant exercises	17,500	13,125	-	-	-	-	-	-	-	13,125	-	13,125
Balance, August 31, 2018	78,185,040	\$52,039,965	\$ 2,281,984	\$ 3,870,333	\$ (137,654)	\$ (321,898)	\$ -	\$ 248,034	\$(8,539,545)	\$ 49,441,219	\$122,210,962	\$171,652,181

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 EQUITY
EXPRESSED IN CANADIAN DOLLARS
(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	Equity on Convertible Debt					
Balance, August 31, 2018	78,185,040	\$ 52,039,965	\$ 2,281,984	\$ 3,870,333	\$ (137,654)	\$ (321,898)	\$ -	\$ 248,034	\$(8,539,545)	\$ 49,441,219	\$122,210,962	\$171,652,181
IFRS Standards adoption adjustments	-	-	-	-	-	-	-	-	(182,002)	(182,002)	(65,530)	(247,532)
Unrealized translation adjustments	-	-	-	-	-	-	-	45,118	-	45,118	917	46,035
Net income (loss) for the period	-	-	-	-	-	-	-	-	2,079,062	2,079,062	3,610,108	5,689,170
								45,118	1,897,060	1,942,178	3,545,495	5,487,673
Share-based payments	-	-	-	221,540	-	-	-	-	-	221,540	-	221,540
Payments to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(10,086,485)	(10,086,485)
Non-controlling interests contributions	-	-	-	-	-	-	-	-	-	-	8,374,653	8,374,653
Changes in ownership interests	-	-	-	-	-	-	-	-	-	-	1,486,184	1,486,184
Purchase of treasury shares	-	-	-	-	-	(1,001,155)	-	-	-	(1,001,155)	-	(1,001,155)
Treasury share cancellations	(1,760,000)	(1,323,053)	-	-	-	1,323,053	-	-	-	-	-	-
Shares issued - stock option exercises	82,500	50,135	-	(16,850)	-	-	-	-	-	33,285	-	33,285
Shares issued - share warrant exercises	25,000	18,750	-	-	-	-	-	-	-	18,750	-	18,750
Equity component of convertible debt	-	-	-	-	-	-	22,295	-	-	22,295	-	22,295
Balance, May 31, 2019	76,532,540	\$50,785,797	\$ 2,281,984	\$ 4,075,023	\$ (137,654)	\$ -	\$ 22,295	\$ 293,152	\$(6,642,485)	\$ 50,678,112	\$125,530,809	\$176,208,921

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
EXPRESSED IN CANADIAN DOLLARS
(Unaudited)

	Three Months Ended May 31, 2019	Three Months Ended May 31, 2018	Nine Months Ended May 31, 2019	Nine Months Ended May 31, 2018
OPERATING ACTIVITIES				
Net income	\$ 295,361	\$ 7,958,031	\$ 5,689,170	\$ 16,645,768
Items not involving cash:				
Depreciation and amortization	547,792	481,585	3,076,688	2,798,523
Share-based compensation	57,881	77,182	221,540	200,931
Gain on fair value changes in investment properties	-	-	(8,100,000)	(8,634,612)
Loss (gain) on disposal of assets	51,406	(2,025,278)	51,406	(2,017,446)
Share of net loss related to associates	-	75,544	-	669,951
Changes to equity accounted associates	-	(36,026)	-	(431,030)
Accretion of finance fees	(66,594)	316,353	380,049	709,477
Deferred income tax recovery	157,100	-	1,525,800	-
Other items	(470,465)	-	(315,512)	1,714
Increase (decrease) in working capital	(2,015,139)	1,808,763	(2,734,870)	9,563,799
Net cash provided by (used in) operating activities	(1,442,658)	8,656,154	(205,729)	19,507,075
INVESTING ACTIVITIES				
Purchases of property and equipment	(277,304)	(269,078)	(783,003)	(1,412,520)
Investment properties, net	(122,780)	(617,606)	4,980,382	(11,653,382)
Refundable deposits on investment properties	(5,500,000)	(44,000,000)	(10,650,000)	(47,000,000)
Investment properties development costs and fees	(276,272)	(1,135,949)	(640,330)	(1,912,490)
Acquisition of businesses, net of cash acquired	-	(15,233,238)	-	(15,233,238)
Acquisition of intangible assets	(65,078)	15,051	(1,610,883)	(1,537,104)
Other items	101	56	(488)	(1,181)
Net cash used in investing activities	(6,241,333)	(61,240,764)	(8,704,322)	(78,749,915)
FINANCING ACTIVITIES				
Cash flows associated with borrowings	8,214,474	17,276,555	2,223,294	28,718,833
Capitalized borrowing costs	(327,877)	(10,050)	(1,280,877)	(257,594)
Promissory note receivable	304,425	103,988	396,811	217,403
Advances from related parties, net	(845,551)	192,042	(1,148,237)	(12,055,096)
Proceeds from issuance of shares, net of costs	2,835	-	52,035	360,923
Repurchase of common shares	(119,800)	(121,614)	(1,001,155)	(175,449)
Net non-controlling interest capital contributions	3,270,122	32,091,689	288,703	46,820,729
Deferred costs	(296,279)	(460,793)	(647,657)	(799,342)
Net cash provided from (used in) financing activities	10,202,349	49,071,817	(1,117,083)	62,830,407
Effects of exchange rate changes on cash and cash equivalents	(16,516)	(1,578)	34,471	97,215
Increase (decrease) in cash and cash equivalents	2,501,842	(3,514,371)	(9,992,663)	3,684,782
Cash and cash equivalents, beginning of period	20,751,743	14,079,537	33,246,248	6,880,384
Cash and cash equivalents, end of period	\$ 23,253,585	\$ 10,565,166	\$ 23,253,585	\$ 10,565,166

Supplemental cash flow information (Note 17)

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, 2019
(Unaudited)

NOTE 1 – NATURE OF OPERATIONS

CIBT Education Group Inc. (the “Company”) is an educational and student-housing investment company headquartered in Vancouver, British Columbia, Canada. The Company’s current business operations include education, media communications, revenue producing property and real estate development. The Company currently has five principal business units/segments, being Sprott Shaw College Corp. (“SSCC”), Sprott Shaw Language College (“SSLC”), which includes Vancouver International College (“VIC”), CIBT School of Business & Technology Corp. (“CIBT China”), IRIX Design Group Inc. (“IRIX”), and Global Education City Holdings Inc. (“GECH”). The Company’s education business is conducted through SSCC and SSLC/VIC in Canada and through CIBT China and its subsidiaries in Asia. The Company operates its media communications business through IRIX. GECH is an investment holding and management company with a focus on education related real estate projects in Vancouver, Canada.

The head office and principal address of the Company are located at Suite 1200, 777 West Broadway, Vancouver, British Columbia, Canada and its registered and records offices are located at 595 Burrard Street, Suite 2900, Vancouver, British Columbia, Canada.

NOTE 2 – BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements include the accounts of CIBT Education Group Inc., the ultimate parent company of its consolidated group, and its subsidiaries and are prepared in accordance with International Accounting Standard 34 - *Interim Financial Reporting* (“IAS 34”) as issued by the International Accounting Standards Board (“IASB”). 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. Accordingly, 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, 2018.

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 during the year ended August 31, 2018.

The accounting policies applied in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those applied and disclosed in Note 29 of the Company’s audited consolidated financial statements for the year ended August 31, 2018, with the exception of the application of IFRS 15 – *Revenue from Contracts with Customers* (“IFRS 15”) and IFRS 9 - *Financial Instruments* (“IFRS 9”), and other narrow scope amendments, as described in Note 4 to these financial statements.

These financial statements were authorized for issue by the Audit Committee of the Company’s Board of Directors on July 14, 2019.

NOTE 3 – CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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, 2019, the Company applied the critical judgements and estimates, including significant areas of estimation uncertainty in applying these policies, disclosed in Note 3 of its audited consolidated financial statements for the year ended August 31, 2018. In addition, the Company applied the following critical judgements in applying accounting policies and estimates.

NOTE 3 – CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (cont'd)

Expected credit loss allowance and provision as result of adopting IFRS 9

The Company previously provided for bad debts by setting aside a percentage of trade receivable sales towards the allowance account based on historical default experience. The Company also reviewed the collectability of other non-trade receivables and provided an allowance, if required, based on anticipated collectability.

On adoption of IFRS 9, the Company determined an expected credit loss allowance for trade receivables based on the estimated expected lifetime credit loss, considering the actual credit loss in prior years and forward-looking estimates of expected collections. This estimate varies depending on the nature of the trade receivables, the majority of which are associated with the education business; however, also includes receivables from the student housing arm and other lines of business. The loss allowance is reviewed on a quarterly basis and any change in estimate is accounted for prospectively. The Company also assesses the expected credit loss of non-trade financial assets to determine if an allowance is required.

Value of convertible debentures components issued in 2019

The Company determines the fair value components of the convertible debentures depending on the nature of the component as further explained in Note 14 to these financial statements. Judgement is required in determining the observable inputs used in the fair value calculations and in determining the probability of certain outcomes, and changes in those judgements may result in a change to the recognized value of the convertible debentures. The Company will determine the fair value of these embedded derivatives within these convertible debentures at the end of each reporting period until maturity.

NOTE 4 – APPLICATION OF NEW AND REVISED IFRSs AND FUTURE ACCOUNTING POLICIES

(a) New accounting standards applied for the year ending August 31, 2019

Revenue recognition

On September 1, 2018, the Company adopted IFRS 15 which supercedes IAS 18 – *Revenue* (“IAS 18”). IFRS 15 establishes a five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The Company adopted the standard using the modified retrospective approach also known as the cumulative effect method using certain practical expedients. Under this method, the comparative financial reporting will not be restated and continues to be reported under IAS 18 with a cumulative transition adjustment recorded to opening retained earnings. The Company has used the transitional method that allows the Company to apply IFRS 15 retrospectively only to contracts that are not completed contracts as at September 1, 2018. On adopting IFRS 15, both the recognition and measurement of revenue remained the same in all cases.

IFRS 15 requires companies to recognize revenue when ‘control’ of goods or services transfers to the customer whereas IAS 18 required entities to recognize revenue when the ‘risks and rewards’ of the goods and services transferred to the customer. IFRS 15 also changed the basis for deciding whether revenue is to be recognized overtime or at a particular point in time and expands and improves disclosures about revenue. There were no significant changes in accounting policies from those disclosed in Note 29 of the consolidated financial statements for the year ended August 31, 2018 as a result of applying IFRS 15; however, there were changes to the accounting policy language as described below.

Educational programs and services

The educational programs and services consist of tuition fee (net of discounts) on course offerings by CIBT, SSCC and SSLC/VIC. Customers (students) obtain control and revenue is recognized proportionately as instruction is delivered. Tuition is paid in advance of delivery of instruction and under IAS 18 the Company previously recorded deferred revenue when payment was received, recognized revenue for educational programs proportionately as instruction was delivered over the length of the contracts, and recorded refunds only when given. Revenue was reported net of scholarships, business taxes and related surcharges.

NOTE 4 – APPLICATION OF NEW AND REVISED IFRSs AND FUTURE ACCOUNTING POLICIES (cont'd)

(a) New accounting standards applied for the year ending August 31, 2019 (cont'd)

Revenue recognition (cont'd)

Design and advertising

Customers obtain control when the Company completes its performance obligation which varies depending on the nature of the contracts but which are considered to be satisfied over a period of time. Revenue is recognized over the duration of the contract reflecting the transfer of control of the promised good or service to the customer, calculated based on the ratio of the Company's efforts or inputs at the reporting date relative to the total number of inputs required to satisfy the performance obligations.

Development fee revenues

The Company earns fees in connection with certain real estate development activities. Third-party investors in real estate investment limited partnerships, obtain control and revenue is recognized at a point in time as they obtain an interest in the limited partnerships controlled by the Company. Revenue is recognized in the period investments are made into the operating limited partnership which is consistent with the timing of recognition under IAS 18.

Rental revenues

Rental revenues include rents from commercial tenants and variable term residential accommodations. Rental revenues earned under lease arrangements include both lease components accounted for under IAS 17 – *Leases* ("IAS 17") and non-lease components accounted for under IFRS 15. Lease components include the lease for the rental unit including furnishing. Non-lease components include utilities, internet, housekeeping and common area maintenance, and have been determined to be non-distinct performance obligations from each other as the customer cannot benefit from them separately. Customers obtain control of the lease and non-lease components concurrently and revenue is recognized systematically over the term of the contract. For short term tenants such as the Company's hotel property, revenues are recognized in accordance with IFRS 15.

There were no contract assets or contract liabilities identified on transition to IFRS 15.

Financial Instruments

On September 1, 2018, the Company adopted IFRS 9 which replaced IAS 39 – *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 provides a revised model for recognition and measurement of financial instruments and a single, forward-looking 'expected loss' impairment model. The Company applied the exemption not to restate the comparative information for prior periods with respect to the classification and measurement requirement including impairment; therefore, financial information for and prior to the year ended August 31, 2018 are not restated. Differences in the carrying amount of financial assets and liabilities resulting from the adoption of IFRS 9 are recognized in opening retained earnings. The Company adopted a narrow scope amendment to IFRS 7 - *Financial Instruments – Disclosures*, predominately around expected credit losses and impairment of financial assets and liabilities. On transition date, the carrying amounts of the Company's financial instruments impacted are disclosed in Note 14(a) to these financial statements. The following summarizes the significant changes between IAS 39 and IFRS 9.

- IFRS 9 classifies financial assets at either amortized cost or fair value whereas IAS 39 classified financial assets into five categories, each with different measurement requirements. Under IFRS 9, the classification depends on the financial asset's contractual cash flow characteristics and the entity's business model for managing the financial asset. Where financial assets are measured at fair value, gains or losses are either recognized entirely in profit or loss or recognized in other comprehensive income. On transition there were no changes to the measurement of financial assets of the Company.
- The adoption of the new "expected credit loss" ("ECL") impairment model under IFRS 9, as opposed to an incurred credit loss model under IAS 39, had a negligible impact on the carrying amounts of the Company's financial assets on September 1, 2018 given the short-term nature of the Company's receivables and low historical level of customer default. The ECL model will result in an allowance for credit losses being recorded on financial assets regardless of whether there has been an actual loss event. This differs from the Company's previous approach where an allowance for bad debts were recorded only as incurred.

NOTE 4 – APPLICATION OF NEW AND REVISED IFRSs AND FUTURE ACCOUNTING POLICIES (cont'd)

(a) New accounting standards applied for the year ending August 31, 2019 (cont'd)

Financial Instruments (cont'd)

- When a financial liability is non-substantially modified, the difference between the present value of the discounted cash flows is recognized in profit or loss immediately which was not previously the requirement under IAS 39 (Note 14(d)).

Other narrow scope amendments/interpretations

The Company has adopted narrow scope amendments/interpretations to IAS 40 – *Investment Property*; IFRIC Interpretation 22 – *Foreign Currency Transactions and Advance Consideration*; IFRS 2 - *Share-based Payments*; and IAS 1 – *Presentation of Financial Statements*, which did not have an impact on the Company's unaudited condensed consolidated interim financial statements.

(b) New accounting standards applicable for next fiscal year beginning September 1, 2019

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

Leases

In January 2016, the IASB issued IFRS 16 - *Leases* ("IFRS 16"), which replaces IAS 17 and related interpretive guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer has the right to control the use of an identified asset. IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to the finance lease accounting under IAS 17 for all leases with a term of more than 12 months, unless the underlying asset is of low value. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Entities can choose to apply IFRS 16 using either a full retrospective or a modified retrospective approach.

The Company will apply IFRS 16 beginning with its annual reporting period beginning on September 1, 2019 using a modified retrospective approach. Under the modified retrospective approach, comparative information for prior periods presented will not be restated. Instead, the cumulative effect of initially applying IFRS 16 will be recognized on September 1, 2019, at the date of initial application. Lease liabilities will be recognized as at September 1, 2019, measured at the present value of the remaining lease payments as of that date for all contracts identified as leases under IAS 17 with remaining lease terms of more than 12 months and for which the underlying asset is not of low value, discounted using the Company's incremental borrowing rate as at September 1, 2019. As permitted by IFRS 16, the Company has elected to measure the right-of-use asset for each lease, at September 1, 2019, at an amount equal to the corresponding lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The application of IFRS 16 will impact the accounting for the Company's premise rentals used in connection with its education business. In addition, the application of IFRS 16 will impact the accounting for the Company's leased investment property, used in connection with its student housing business. The recognition of a lease liability and right-of-use asset will result in lease payments being recognized partly as interest expense (on accretion of the lease liability) and depreciation expense (on depreciation of the right-of-use asset) as compared to being recognized as an operating lease expense under IAS 17. Total interest expense over the term of the lease plus depreciation expense over the life of the underlying leased asset under IFRS 16 will equal the total lease payments that would have been recognized as operating lease expenses (rent expense) under IAS 17, with total interest and depreciation expense during the earlier periods of a lease term being higher than the later periods. In addition, operating cash outflows will be reduced by the principal portion of lease payments with a corresponding increase in financing cash outflows.

NOTE 4 – APPLICATION OF NEW AND REVISED IFRSs AND FUTURE ACCOUNTING POLICIES (cont'd)

(b) New accounting standards applicable for next fiscal year beginning September 1, 2019

Leases (cont'd)

As permitted by IFRS 16, the Company has elected not to separate non-lease components from lease components. Upon application of IFRS 16, non-lease components of lease contracts, comprised of variable rent payments not based on an index or rate, including additional rent for operating costs and taxes, will continue to be recognized as rent expense as incurred.

The Company is continuing to assess the impacts of IFRS 16 on its consolidated financial statements.

Uncertainty over income tax treatments

In June 2017, the IASB issued IFRIC Interpretation 23, *Uncertainty over Income Tax Treatments* (“IFRIC 23”), with a mandatory effective date of January 1, 2019 which is applicable to the Company starting September 1, 2019. The interpretations provide guidance on how to value uncertain income tax positions based on the probability of whether the relevant tax authorities will accept the company's tax treatments. A company is to assume that a taxation authority with the right to examine any amounts reported to it will examine those amounts and will have full knowledge of all relevant information when doing so. IFRIC 23 is to be applied by recognizing the cumulative effect on initial application in opening retained earnings without adjusting comparative information. The extent of the impact of the adoption of IFRIC 23 has not yet been determined.

Annual improvements

Annual improvements make necessary but non-urgent amendments to existing IFRSs. In December 2017, the IASB issued the 2015 – 2017 cycle Annual Improvements which included amendments to standards with an effective date of annual periods beginning on or after January 1, 2019, which applies to the Company commencing September 1, 2019. These amendments are not expected to have significant impact on the Company's consolidated financial statements.

(c) New accounting standards applicable for fiscal year beginning September 1, 2020

Definition of material

In October 2018, the IASB issued *Definition of Material (Amendments to IAS 1 and 8)* to clarify the definition of ‘material’ and to align the definition used in the Conceptual Framework and the standards themselves. The amendments are effective for annual reporting periods beginning on or after January 1, 2020 and are applicable to the Company starting September 1, 2020.

Definition of a business

In October 2018, the IASB issued *Definition of a Business (Amendments to IFRS 3)* which: (a) clarifies that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs; (b) narrows the definition of a business and of outputs by focusing on goods and services provided to customers; and (c) removes certain assessments and adds guidance and illustrative examples. The amendment is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period. The amendments are applicable to the Company starting September 1, 2020. Early application is permitted.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

MAY 31, 2019

(Unaudited)

NOTE 5 – INVESTMENT PROPERTIES**(a) Reconciliation of carrying amount**

The following table is a reconciliation of investment properties balances, including both revenue-producing properties and properties under development, that are owned by the real estate limited partnerships which the Company controls. These limited partnerships include GEC in their respective names that is a registered trademark of the Company. GEC is used throughout this document in limited partnership names and project references. On initial recognition investment properties were recorded at their purchase price and any directly attributable expenditures.

	May 31, 2019	August 31, 2018
Balance, beginning of period	\$ 144,670,000	\$ 101,010,000
Acquisitions	-	55,438,931
Dispositions	-	(61,100,000)
Capital additions	-	44,990
Development costs	434,795	3,648,177
Capitalized borrowing costs	1,280,877	2,130,559
Gain on change in fair value ⁽¹⁾	8,100,000	43,497,343
Balance, end of period	\$ 154,485,672	\$ 144,670,000

The carrying value of investment properties using the fair value model are presented at fair value as follows:

		May 31, 2019	August 31, 2018
Revenue-producing properties	<i>Closing date</i>	\$ 100,600,000	\$ 95,500,000
GEC Property 2 ⁽¹⁾	August 2018	81,100,000	76,000,000
GEC Property 5	October 2016	19,500,000	19,500,000
Properties under development	<i>Closing date</i>	\$ 53,885,672	\$ 49,170,000
GEC Property 1 – land ⁽²⁾	October 2017	22,495,398	21,400,000
GEC Property 6 – land ⁽³⁾	September 2016	31,390,274	27,770,000

⁽¹⁾ During the nine months ended May 31, 2019, as the result of the completion of furnishing and conversion of unfurnished rentals into serviced apartments, management assessed a change in fair value resulting in an additional gain of \$5,100,000.

⁽²⁾ During the nine months ended May 31, 2019, \$815,377 of borrowing costs on the qualifying asset were capitalized (2018 - \$755,793). During the nine months ended May 31, 2018, a fair value gain of \$5,246,165 was recognized.

⁽³⁾ During the nine months ended May 31, 2019, \$465,500 of borrowing costs on the qualifying asset were capitalized (2018 - \$722,022). During the nine months ended May 31, 2019, a fair value gain of \$3,000,000 was recognized (nine months ended May 31, 2018 - \$3,388,447).

(b) Fair value gains and measurement

The Company has chosen to apply the fair value model and as such is required to measure all of its investment property at fair value, with any gain or loss arising from a change in the fair value of investment property required to be recognized in net income (loss) in the period of change. Therefore, when the property is sold, the carrying amount of the investment property includes fair value gains recognized in previous periods and as such in the period of sale only gains or losses above that carrying amount are realized in that period. In addition to obtaining independent appraisals on an annual basis, management also determines the fair value of investment property on a quarterly basis and as such when the property is sold adjustments to fair value are generally not significant.

NOTE 5 – INVESTMENT PROPERTIES (cont'd)

(b) Fair value gains and measurement (cont'd)

As discussed in Note 7(e) of the Company's consolidated financial statements for the year ended August 31, 2018, investment properties were valued on August 31, 2018 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. At the end of each reporting period, the Company determines the value of its investment properties taking into consideration such valuations and other market conditions. The valuation of investment properties is a level 3 fair value measurement as it involves a significant unobservable input and fluctuations in the inputs could significantly alter the fair value. There were no changes to the valuation techniques of level 3 fair value measurements in the nine months ended May 31, 2019.

(c) Rental operations as lessor

The following presents rental revenues and costs associated with properties leased to tenants or provided under service contracts in the Company's real estate portfolio:

	Three Months Ended May 31,		Nine Months Ended May 31,	
	2019	2018	2019	2018
Rental revenues	\$ 2,936,529	\$ 2,708,045	\$ 8,525,684	\$ 6,552,381
Direct operating costs generating revenue	(1,750,922)	(1,120,850)	(5,196,784)	(3,992,255)
Other indirect costs, including financing	(2,495,648)	(2,321,884)	(7,159,978)	(4,717,062)
Net loss	\$ (1,310,041)	\$ (734,689)	\$ (3,831,078)	\$ (2,156,936)

Rental revenues are comprised of both lease revenues under IAS 17 and service contracts, non-lease components and other revenues under IFRS 15. GEC Project 8 operations commenced March 15, 2018. As discussed in Note 7(c) of the consolidated financial statements for the year ended August 31, 2018, a wholly owned subsidiary of the Company entered into a land and building sublease as Tenant with the purchaser of the GEC 3 Property. Results of operations for this property have been included in each period presented with additional rent due to the purchaser commencing on the date of purchase.

NOTE 6 – REAL ESTATE DEVELOPMENTS – OTHER ASSETS

	May 31, 2019	August 31, 2018
Refundable deposits ⁽¹⁾	\$ 63,150,000	\$ 52,500,000
Deferred Costs ⁽²⁾	1,576,283	935,953
	\$ 64,726,283	\$ 53,435,953

⁽¹⁾ Refundable deposits at August 31, 2018 represent \$50,000,000 associated with GEC Project 9 and \$2,500,000 with GEC Project 7. In the nine months ended May 31, 2019, additional deposits were made of (a) \$500,000 associated with GEC Project 7; (b) \$10,000,000 associated with GEC Project 9; and (b) \$150,000 associated with GEC Project 10. Refundable deposits are generally applied to the purchase price of an investment property in the period of purchase closing if the purchase is completed.

⁽²⁾ Deferred costs are mainly associated with costs incurred on properties under development which are transferred to the investment property carrying value on purchase.

NOTE 6 – REAL ESTATE DEVELOPMENTS – OTHER ASSETS (cont'd)

GEC Project 7

In May 2017, GEC LP 7 entered into a Purchase and Development Agreement (“LP 7 PDA”) with the developer to construct GEC Project 7. The LP7 PDA was amended in June and July 2017 to extend the subject removal dates and ultimately an amended agreement was executed on April 16, 2019 between the parties (the “Third Amendment”).

The Third Amendment modified certain business terms of the agreement and provided for a modified design. Pursuant to the Third Amendment, LP 7 will purchase the land previously held by the developer and develop the property by contracting out the development and building of the property. In addition, the Company will assume the debt currently held by the developer on closing of the purchase, which is expected in the quarter ending August 31, 2019. During the three months ended May 31, 2019, an additional \$500,000 deposit was paid resulting in \$3,000,000 of refundable deposits. The transaction is expected to be closed during the quarter ending August 31, 2019.

As the terms of the agreement have changed the total commitment disclosed in Note 25 of the audited consolidated financial statements for the year ended August 31, 2018, has been reduced to only the purchase price for the land and other commitments specified in the Third Amendment. The Company expects total costs to complete the building to be approximately \$275 million.

GEC Project 9

In January 2019, GEC LP 9 entered into an amendment of the Purchase and Development Agreement (“LP 9 PDA”) executed in February 2018. The parties agreed to amend the agreement to reduce the number of buildings to be purchased by GEC LP 9 to one office tower and one residential tower. The original purchase price was amended from approximately \$218,000,000 to \$109,400,000. Total commitments of \$168,287,000 at August 31, 2018 associated with this project were disclosed in Note 25(b) of the consolidated financial statements for the year ended August 31, 2018, which are expected to decrease by approximately \$108,600,000. In March 2019, the final deposit requirement of \$5,000,000 was paid for a total of \$60,000,000 deposits pursuant to the PDA. The PDA includes purchase price adjustment provisions based on a number of factors including cost overruns which are not yet determinable, including the provision that \$20,000,000 of the deposit already paid to the developer may be repaid to GEC LP 9 in August 2019.

GEC Project 10

In October 2018, a new limited partnership (“GEC LP 10”) was formed, of which a subsidiary of the Company is the general partner. On November 1, 2018, GEC LP 10 signed a purchase and sale agreement for the purchase of two parcels of land on which it planned to develop a high rise serviced investment property. However, as the conditions precedent to the purchase were not satisfied, this purchase agreement was terminated in December 2018.

In January 2019, a subsidiary of the Company entered into three separate purchase and sale agreements for the purchase of three parcels of land for a purchase price totaling \$30,300,000, on which the development of a high rise serviced investment property is planned. The agreements include a provision to assign the land to GEC LP 10 on closing. The closing of the land purchases was expected by August 2019 subject first to the satisfactory completion of the conditions precedent which were expected to be satisfied or waived in the quarter ended May 31, 2019, at which time an additional \$1,500,000 of total deposits were required to be made to the vendors, and second to other conditions on closing. In April 2019, the purchase and sale agreements were amended with the conditions removal date moved to June 28, 2019 and the anticipated purchase date moved to the quarter ending November 30, 2019. During June 2019, a second amendment to these agreements was executed extending the conditions removal date to July 31, 2019 with anticipated purchase date remaining the same. See Subsequent Events (Note 19).

NOTE 7 – INTERESTS IN OTHER ENTITIES

Transactions with non-controlling interests

The Company directly and indirectly holds limited partnership units in the real estate projects controlled by the Company. Non-controlling interests also subscribe for units in these limited partnerships. The Company earns development fee revenues associated with these subscriptions and reinvests these monies via the purchase of limited partnership units. Additional information about each subsidiary which has a non-controlling interest is presented in Note 19 – *Segmented Information*. For the nine months ended May 31, 2019, gross non-controlling interest contributions were \$8,374,653 (nine months ended May 31, 2018 - \$47,200,804) and gross non-controlling distributions were \$10,086,485 (nine months ended May 31, 2018 - \$380,075).

GEC LP 3

During the year ended August 31, 2018, this limited partnership sold the investment property previously held as discussed in Note 7(c) of the consolidated financial statements for the year ended August 31, 2018. During the nine months ended May 31, 2019, total net distributions of \$9,357,320 were made to limited partners of GEC LP 3. The remaining distributions are expected to occur at a future date.

GEC LP 9

During the nine months ended May 31, 2019, additional subscriptions were made into GEC LP 9 and the Company recognized development fee revenues of \$381,062 and \$1,905,143 for the three and nine months ended May 31, 2019 (three and nine months ended May 31, 2018 - \$8,000,057 and \$8,000,057) associated with this project.

GEC LP 10

During the nine months ended May 31, 2019, subscriptions were made into GEC LP 10 which was formed in October 2018 (Note 6) resulting in the Company owning 20% of the limited partnership units with the remaining units held by non-controlling interests. Management has determined that the Company has control over GEC LP 10 and, accordingly, has consolidated the results for the period subsequent to formation, notwithstanding the fact that the Company owns less than the majority of voting units at May 31, 2019. Rights held by a group of limited partners who owned 80% of the limited partnership units were determined to be protective and not substantive and did not preclude the Company having control. During the three and nine months ended May 31, 2019, the Company recognized development fee revenues of \$nil and \$247,619 (three and nine months ended May 31, 2018 - \$nil) associated with this project.

The Company also earned development fee revenues from GEC Project 8 of \$2,285,715 and GEC Project 7 of \$1,376,610 in the nine months ended May 31, 2018.

NOTE 8 – TRADE AND OTHER RECEIVABLES

	May 31, 2019		August 31, 2018
Trade receivables	\$ 16,581,004	\$	13,763,387
Less: credit loss allowance (Note 4 and 14)	(2,095,375)		(1,448,856)
Net trade receivables	\$ 14,485,629	\$	12,314,531
Due from related parties (Note 16)	176,955		204,126
Proceeds receivable on disposal	-		5,415,177
Other receivables	327,884		597,985
	<u>\$ 14,990,468</u>	<u>\$</u>	<u>18,531,819</u>
Current	14,813,513		18,327,693
Non-current	176,955		204,126
	<u>\$ 14,990,468</u>	<u>\$</u>	<u>18,531,819</u>

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

MAY 31, 2019

(Unaudited)

NOTE 9 – PROMISSORY NOTE RECEIVABLE

In November 2018, one of the limited partnerships that the Company is an investor entered into a debt acknowledgment and repayment plan agreement associated with the promissory note described in Note 11 of the consolidated financial statements for the year ended August 31, 2018. Under the terms of this agreement the outstanding balance will attract interest commencing December 1, 2018 at 10% per annum, with set payments of principal and interest each month with full repayment on December 1, 2019. The promissory note is secured by personal guarantees of the Directors of the developer. The following summarizes the balance outstanding under the promissory note:

	May 31, 2019	August 31, 2018
Beginning balance	\$ 862,746	\$ 930,149
Advances	-	250,000
Payments	(423,421)	(275,000)
Interest accrual	26,610	-
Other	-	(42,403)
Ending balance	<u>\$ 465,935</u>	<u>\$ 862,746</u>

NOTE 10 – TRADE AND OTHER PAYABLES

Trade payables and other consisted of the following, all of which were current:

	May 31, 2019	August 31, 2018
Trade accounts payable and accrued liabilities	\$ 9,656,651	\$ 9,812,614
Payables due to related parties (Note 16)	1,008,666	2,184,074
Promissory note payable	575,947	1,052,572
Other payables	3,617,429	3,547,306
Trade and other payables	<u>\$ 14,858,693</u>	<u>\$ 16,596,566</u>

NOTE 11 – BORROWINGS

The carrying value of borrowings by entities controlled by the Company are as follows:

	May 31, 2019	August 31, 2018
Current liabilities		
Current portion of secured loans	\$ 60,120,242	\$ 26,233,861
Current portion of 2017 convertible debentures	246,873	246,873
Credit facility	1,543,545	1,896,035
Current portion of finance lease liabilities	148,930	176,601
	<u>\$ 62,059,590</u>	<u>\$ 28,553,370</u>
Non-current liabilities		
Secured loans	45,821,955	85,893,921
2017 convertible debentures	493,746	678,901
Finance lease liabilities	375,240	478,414
2019 convertible debentures	8,114,743	-
	<u>\$ 54,805,684</u>	<u>\$ 87,051,236</u>
Total borrowings	<u>\$ 116,865,274</u>	<u>\$ 115,604,606</u>

NOTE 11 – BORROWINGS (cont'd)

The following table is a continuity of the activity of the secured loans:

	May 31, 2019	August 31, 2018
Balance, beginning of year	\$ 112,127,782	\$ 55,297,773
Adjustment on transition to IFRS 9 (Note 4)	122,876	-
Advances	10,000,000	76,806,598
Assumption of debt in business combination	-	22,500,000
Repayments	(16,744,844)	(41,920,279)
Finance costs incurred	(351,378)	(1,596,075)
Accretion of finance costs and other ⁽¹⁾	787,761	1,039,765
Total current and non-current secured loans	<u>\$ 105,942,197</u>	<u>\$ 112,127,782</u>

⁽¹⁾ Includes net impact of non-substantial debt modification for GEC Project 1 and GEC Project 8.

Secured loans

The fair values of the secured loans are not materially different to their carrying amounts, since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short-term nature. Full repayment of loans before maturity is permitted subject to specific criteria and satisfaction of minimum interest payment requirements. The loans are secured by a first and/or second mortgage, as applicable, whereby the first mortgagor must approve the second mortgage and any additional mortgages. For revenue-producing properties, the mortgage security is the assets of the specific real estate project, an assignment of rents and a general security agreement from each of the borrowers. For property under development, security represents refundable deposits provided by the Company to the developer, a general assignment of all fixed price contracts, development permits and plans related to the proposed development, and other guarantees from the Company and its subsidiaries. In the majority of cases, the associated limited partnership is required to pay the insurance premium in favor of the lender. Certain commitment fees are customarily paid associated with commitment letters and other financing costs are incurred which are accreted over the term of the loans. Interest rates range depending on the nature of the loan with the weighted average interest rate for all loans approximating 7%.

The following table summarizes the terms of the borrowings which changed in the nine months ended May 31, 2019.

	Original Principal	Funding Date	Maturity Date
GEC Project 1 loan ⁽¹⁾	\$ 10,000,000	October 2017	July 2019
GEC Project 5 loan ⁽²⁾	\$ 7,200,000	December 2018	January 2021
GEC Project 5 loan ⁽³⁾	\$ 2,800,000	December 2018	April 2021
GEC Project 6 loan ⁽⁴⁾	\$ 9,500,000	November 2017	Dec 2019

⁽¹⁾ Effective November 1, 2018, renewal agreement executed that extends maturity date to July 31, 2019 and allows for prepayment up to April 30, 2019 of up to \$1,000,000 in \$500,000 increments with decreases of 0.5% interest per annum per increment. The interest rate increased for the first nine months of renewal period with interest escalating in the final three months until maturity. The renewal was considered a non-substantial modification under IFRS 9 resulting in a loss of \$154,953 recognized in *Interest and other income* in the Statement of Comprehensive Income for the nine months ended May 31, 2019. The loan was repaid subsequent to May 31, 2019 and new funding received (See Subsequent Events).

⁽²⁾ On December 4, 2018, the previous loan with a principal balance of \$6,576,000 at November 30, 2018, and accrued interest thereon, secured by a first mortgage was repaid. In November 2018 a commitment letter was executed and funding occurred on December 4, 2018 for a new fixed-term non-revolving loan with a new lender for principal of \$7,200,000. Monthly payments of interest and principal are due until maturity. The Loan may be prepaid subject to certain terms. The Company and certain of its subsidiaries have guaranteed the loan. A first mortgage, including general assignment of rents including the head lease are pledged as security.

⁽³⁾ On December 4, 2018, the previous loan with a principal balance of \$3,300,000 at November 30, 2018, and accrued interest thereon, secured by a second mortgage was repaid. In November 2018 a commitment letter was executed and funding occurred on December 4, 2018 for a new loan for principal of \$2,800,000, secured by a second mortgage. Interest only payments are due until maturity.

NOTE 11 – BORROWINGS (cont’d)

Secured loans (cont’d)

(4) During May 2019 the Borrower exercised its right to extend the maturity date of the loan to December 2019 and paid extension fees. Borrowings were classified as non-current at August 31, 2018 but current at May 31, 2019. Interest only payments are due until maturity. Loan is secured by first mortgage.

2019 Convertible Debentures

In May 2019, the Company issued Hong Kong dollar (“HKD”) denominated and Canadian dollar denominated convertible debentures (the “2019 Debentures”) and received proceeds in the aggregate principal equivalent sum of C\$8,642,190. The 2019 Debentures mature in May 2021, subject to the Company’s exercise of the prepayment option or extension option as part of the terms of these debentures. At any time between four months after issuance and before maturity the debenture holder can elect to convert all or part of the then outstanding principal sum into common shares of the Company at the conversion price set at issuance. Interest payments will be made semi-annually at a rate of 8-9% per annum with accrued interest included in Accounts payable and accrued liabilities on the *Statement of Financial Position* at May 31, 2019.

The 2019 Debentures are presented as follows:

Proceeds from issue	\$ 8,642,190
Less: fair value of embedded derivatives ⁽¹⁾	(1,511,943)
Less: equity component of Canadian debenture, net of transaction costs ⁽²⁾	(22,295)
Less: transaction costs	(240,935)
Carrying value of host liability at inception	6,867,017
Accretion of carrying value of host liability	27,884
Foreign exchange adjustments	37,135
Carrying value of host liability at May 31, 2019	\$ 6,932,036
Fair value of embedded derivatives at inception	\$ 1,511,943
Fair value decrease in liability	(335,987)
Foreign exchange adjustments	6,751
Balance, embedded derivatives at May 31, 2019	\$ 1,182,707

Transaction costs totaling approximately C\$296,000 equivalent were incurred of which \$55,344 were expensed in the three months ended May 31, 2019.

(1) At initial recognition, the HKD denominated convertible debentures included a host liability classified as amortized cost, a combined embedded derivative classified as fair value through profit or loss (“FVTPL”), and an embedded conversion option classified as FVTPL. The fair value of the embedded derivatives were determined first with the residual amount of the principal amount allocated to the host liability.

(2) At initial recognition, the Canadian denominated convertible debentures were considered a compound financial instrument and included a host liability classified as amortized cost, an combined embedded derivative classified as FVTPL, and a conversion option classified as equity. The fair value of the host liability and combined embedded derivatives were determined first with the residual amount of the principal amount allocated to the equity component.

NOTE 12 – SHARE CAPITAL**(a) Issuance of ordinary shares**

During the nine months ended May 31, 2019, the Company issued 107,500 common shares associated with: (a) the issuance of 82,500 common shares on exercise of vested stock options at an average exercise price of \$0.40; and (b) the issuance of 25,000 common shares on exercise of warrants at an exercise price of \$0.75 per warrant.

(b) Treasury shares

In December 2018, the Company received approval from the Toronto Stock Exchange (“TSX”) to commence a normal course issuer bid (“NCIB”), whereby the Company may purchase up to 2,000,000 of the Company’s common shares, subject to daily limits, anytime during the period beginning on December 14, 2018 and ending no later on December 13, 2019, to a maximum aggregate acquisition cost of \$2,000,000. During the nine months ended May 31, 2019, the Company repurchased for future cancellation, from the current NCIB and a prior one, 1,376,500 common shares, resulting in 1,760,000 treasury shares held for cancellation. During the three months ended May 31, 2019 the Company cancelled all treasury shares. On April 25, 2019, the Company suspended its NCIB in advance of the issuance of the 2019 Debentures (Note 11). See subsequent events (Note 19(a)).

(c) Share purchase warrants and stock options

At May 31, 2019, there were no share purchase warrants outstanding and exercisable (August 31, 2018 – 1,987,196).

At May 31, 2019, 2,772,500 stock options were outstanding, of which 1,251,250 were exercisable at May 31, 2019 (August 31, 2018 – 1,867,500 outstanding with 941,250 exercisable). During the nine months ended May 31, 2019, 1,000,000 stock options were granted at an average exercise price of \$0.71, 82,500 stock options were exercised and 12,500 stock options were forfeited.

Measurement of fair values – equity settled arrangements

The weighted average fair value of stock options granted during the nine months ended May 31, 2019 of \$0.32 per option was calculated as of the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions and inputs: expected life of 5 years; risk-free interest rate of 1.91%; expected volatility of 50.6% and weighted average share price of \$0.71. The expected volatility assumption is based on historical and implied volatility of the Company’s common share price on the TSX. The risk-free interest rate assumption is based on yield curves on Canadian government zero coupon bonds with the remaining term equal to the stock options expected life. The Company estimated a weighted average forfeiture rate of 5.25% for the options granted during the nine months ended May 31, 2019.

(d) Basic and diluted common shares outstanding

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

	Three Months Ended May 31,		Nine Months Ended May 31,	
	2019	2018	2019	2018
Basic weighted average number	\$ 76,586,024	\$ 78,469,431	\$ 77,055,362	\$ 78,307,611
Effect of in-the-money warrants ⁽¹⁾	-	-	233	-
Effect of in-the-money stock options ⁽¹⁾	87,990	144,082	104,338	150,152
Diluted weighted average number	\$ 76,674,014	\$ 78,613,513	\$ 77,159,933	\$ 78,457,763

⁽¹⁾ The average market value of the Company’s shares for the purpose of calculating the dilutive effect was based on the quoted market prices for the period the instruments were outstanding.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

MAY 31, 2019

(Unaudited)

NOTE 12 – SHARE CAPITAL (cont'd)

(d) Basic and diluted common shares outstanding (cont'd)

At May 31, 2019, the following instruments were excluded from the diluted weighted average number of common shares outstanding as they were anti-dilutive: 2,565,000 stock options; 937,492 common shares underlying potential conversion of 2017 convertible debt; and 10,407,750 common shares underlying potential conversion of 2019 Debentures (May 31, 2018 – 2,004,696 share purchase warrants; 1,365,000 stock options; and 1,249,990 common shares underlying potential conversion of convertible debt).

NOTE 13 – SUPPLEMENTAL INFORMATION

General and administrative expenses are comprised of the following:

	Three Months Ended May 31,		Nine Months Ended May 31,	
	2019	2018	2019	2018
Advertising	\$ 1,043,975	\$ 1,356,190	\$ 2,891,708	\$ 3,718,503
Bad debts and credit allowances	70,176	-	533,019	-
Bank charges and interest	216,278	103,079	398,651	269,789
Consulting and management fees	237,986	257,510	1,261,390	778,817
Directors insurance	-	-	17,325	46,881
Investor relations	34,283	24,458	99,434	116,908
Office and general	1,079,998	893,675	2,955,967	2,451,104
Professional fees	581,380	749,718	2,072,196	1,732,088
Rent	1,410,831	1,470,052	4,278,694	4,545,900
Salaries and benefits	3,051,651	3,099,995	9,298,304	9,105,606
Travel and promotion	76,404	99,512	244,472	323,627
	\$ 7,802,962	\$ 8,054,189	\$ 24,051,160	\$ 23,089,223

NOTE 14 – FINANCIAL INSTRUMENTS

(a) Transition date adjustment – impact on adopting IFRS 9 on opening retained earnings

IFRS 9 sets out requirements for recognizing and measuring financial assets and financial liabilities (Note 4). The following table summarizes the adjustments booked to opening retained earnings at September 1, 2018, net of tax, on transition to IFRS 9.

Retained earnings

Recognition of expected credit losses under IFRS 9 (c)	\$ 124,656
Recognition of non-substantial debt modification under IFRS 9 (d) ⁽¹⁾	122,876
Impact at September 1, 2018	\$ 247,532

⁽¹⁾ Includes \$65,530 attributable to non-controlling interests.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

MAY 31, 2019

(Unaudited)

NOTE 14 – FINANCIAL INSTRUMENTS (cont'd)

(b) Classification and measurement of financial assets and liabilities

The following represents the carrying values of the financial assets and liabilities of the Company and the associated classifications and measurement basis for each balance. The original measurement categories under IAS 39 for financial assets were loans and receivables which are now classified as amortized cost under IFRS 9.

			May 31, 2019	August 31, 2018
Financial assets	<u>Level</u>	<u>Measurement basis</u>		
Cash and cash equivalents	1	Amortized cost	\$ 23,253,585	\$ 33,246,248
Restricted cash	1	Amortized cost	250,038	249,550
Trade and other receivables	1	Amortized cost	14,813,513	18,327,693
Promissory note	1	Amortized cost	465,935	862,746
Refundable deposits	1	Amortized cost	63,150,000	52,500,000
			<u>\$ 101,933,071</u>	<u>\$ 105,186,237</u>
Financial liabilities				
Trade and other payables	1	Amortized cost	\$ 14,858,693	\$ 16,596,566
Finance lease obligations	2	Amortized cost	524,170	655,015
Borrowings	2	Amortized cost	107,485,742	114,023,817
2019 convertible debentures	1	Amortized cost	6,932,036	-
2019 convertible debentures	2	FVTPL	1,182,707	-
2017 convertible debentures	2	FVTPL	740,619	925,774
			<u>\$ 131,723,967</u>	<u>\$ 132,201,172</u>

(c) Impairment of financial assets

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with an “expected credit loss” (“ECL”) model. The new impairment model applies to financial assets measured at amortized cost and contract assets. Under IFRS 9, credit losses are recognised earlier than under IAS 39. Under IFRS 9, the loss allowance for financial assets at amortized cost are measured on either of the following bases:

- 12-month ECL’s, that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECL’s, that result from all possible default events over the expected life of a financial instrument.

ECL’s are probability-weighted estimates of credit losses. Credit losses are measured as the present value of all cash shortfalls representing the difference between the cash flows due to the entity in accordance with the contract and the cash flow an entity expects to receive. The Company measures loss allowance at the 12-month ECL’s for: (a) bank balances and restricted cash that are determined to have low credit risk at the reporting date; (b) promissory note balance where the credit risk has not increased significantly since initial recognition; and (c) refundable deposits for which credit risk has not increased significantly since initial recognition. The Company has elected to measure loss allowances for trade receivables at an amount equal to lifetime ECL’s.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Company's historical experience and including forward looking information. There were no credit-impaired financial assets at May 31, 2019.

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

NOTE 14 – FINANCIAL INSTRUMENTS (cont'd)

Impact of new impairment model and presentation of impairment

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. Impairment losses related to trade and other receivables are presented separately in the Statement of Comprehensive Income. The loss allowance at September 1, 2018 under IFRS 9 of \$1,573,512 resulted from: (a) allowance of \$1,448,856 as at August 31, 2018 under IAS 39; and (b) additional impairment recognized at September 1, 2018 based on the trade and other receivables as at August 31, 2018 of \$124,656. To measure the ECL on accounts receivable, the Company groups them based on days past due and determines a loss provision. The Company considers the model and some of the assumptions used in calculating the ECL's as key sources of estimation uncertainty.

(d) Change in term of borrowings

The Company controls limited partnerships which enter into secured loan agreements to fund a portion of the purchase price of investment properties and property and equipment. The Company has successfully negotiated renewals and/or changes to the secured loans in advance of maturity date. Term changes generally include interest rate, principal and/or maturity date changes. In prior periods all changes in loan terms were considered non-substantial modifications under IAS 39 with the renewal or change fee incurred amortized over the remaining term of the loan. Under IFRS 9, when a financial liability is non-substantially modified, a gain or loss is recognized into net income (loss). The gain or loss is calculated at the date of modification as the difference between the remaining original contractual cash flows and the modified cash flows both discounted at the original effective interest rate. Any costs associated with the modified loan is added to the loan carrying amount and amortized over the remaining modified loan term. The carrying amount of the loan is revised to reflect the new cash outflows at the date of modification.

At September 1, 2018, there was one secured loan with a change in terms during the year ended August 31, 2018. A recalculation of this loan under IFRS 9 resulted in an opening retained earnings adjustment of \$122,876 representing from a loss on modification of \$186,242 at the date of modification offset by accretion of the new carrying amount of the loan. During the nine months ended May 31, 2019, the GEC Project 1 secured loan was amended resulting in a loss on non-substantial debt modification as further described in Note 11.

(e) Measurement of fair value

(i) Fair value of financial instruments and fair value hierarchy

The carrying amounts of cash and cash equivalents, restricted cash, trade and other receivables, promissory note, refundable deposits, and trade and other payables are considered reasonable approximations of their fair values due to the short-term nature of these instruments. The fair value hierarchy establishes three levels to classify the significance of inputs to valuation techniques used in making fair value measurements of financial assets and liabilities and specified above. Level 1 instruments are measured on a recurring basis based on estimated fair value on exchange between willing parties.

Secured loans, 2017 convertible debentures, 2019 Debentures and finance lease obligations are categorized within Level 2 of the fair value hierarchy. At May 31, 2019 and August 31, 2018 there were no financial assets or financial liabilities measured and recognized at fair value on a non-recurring basis.

The Company's policy for determining when a transfer occurs between levels in the fair value hierarchy is to assess the impact at the date of the event or the change in circumstances that could result in a transfer. There were no transfers between levels of the hierarchy during the nine months ended May 31, 2019.

(ii) Valuation methodologies used in the measurement of fair value for Level 2 financial liabilities

The fair value of secured loans and finance lease obligations approximates their carrying value and has been determined by discounting the contractual cash flows using implied yields of obligations bearing similar credit risk and maturities. The convertible debentures issued in June 2017 include a derivative liability which has been fair valued at \$Nil, with the principal balance representing the fair value of the convertible debt at the end of each reporting period.

NOTE 14 – FINANCIAL INSTRUMENTS (cont'd)

(ii) Valuation methodologies used in the measurement of fair value for Level 2 financial liabilities (cont'd)

The convertible debentures issued in May 2019 include a combined embedded derivative for the prepayment and extension options and an embedded conversion option in the HKD denominated debentures. The fair value of the combined embedded derivative was determined as the present value of future expected cash flows if these options were exercised, which includes managements estimate of the probability of these options being exercised. The fair value of the HKD denominated debenture conversion feature is calculated using the Black-Scholes option pricing model. The embedded derivatives will be remeasured at each period end. The fair value of the host liability for the Canadian denominated debenture was calculated using a discounted cash flow analysis using a discount rate for a non-convertible 2-year corporate rate for similar companies.

NOTE 15 – RISK MANAGEMENT

The Company's exposures to financial risks and how the Company manages each of those risks are described in Note 23 of the Company's consolidated financial statements for the year ended August 31, 2018. There were no significant changes to the Company's exposures to those risks or to the Company's management of its exposures during the nine months ended May 31, 2019 except as noted below.

(a) Liquidity risk

Cash and cash equivalents as at May 31, 2019 were \$23,253,585 (August 31, 2018 - \$33,246,248). At August 31, 2018, the cash balance included funds associated with the GEC Project 3 disposal proceeds, the majority of which was distributed to limited partners during the three months ended November 30, 2018.

At May 31, 2019 and August 31, 2018, the Company was in a working capital deficit position. The majority of the Company's assets are long-term in nature; however, there are a significant amount of current borrowings and deferred educational revenue that contribute to the working capital deficit position, both of which increased in the nine months ended May 31, 2019 resulting in a greater working capital deficit position than at August 31, 2018. In December 2018, GEC LP 5 repaid existing loans and received new funding. At May 31, 2019, the new loans were classified as non-current decreasing the working capital deficit position at May 31, 2019 compared to November 30, 2018. The second of the GEC LP 8 loans became current in the three months ended May 31, 2019 increasing the working capital deficit position by approximately \$19 million. All GEC LP 8 loans are classified as current and the Company expects to refinance these borrowings before maturity. In May 2019, the Company issued the 2019 Debentures representing additional non-current borrowings of \$8,114,743 at May 31, 2019. See Note 11 for borrowings.

During the three months ended May 31, 2019, the Company's income tax payable balance decreased by \$4,176,838 as the result of payments made on tax filings, the reversal of a prior provision in excess of actual taxes due, and quarterly adjustments to the income tax provision based on activity.

The Company had letters of credit outstanding in the amount of \$25,000 at May 31, 2019 (August 31, 2018 - \$125,000).

(b) Credit risk

The Company adopted IFRS 9 on September 1, 2018 (Note 14). At May 31, 2019, the credit loss allowance increased to \$2,095,375; however, there were no significant changes to credit risk.

NOTE 16 – 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.

(a) Amounts due from officers, employees, directors and non-arm's length investors:

	May 31, 2019	August 31, 2018
Due from Beihai College ⁽¹⁾	\$ 176,955	\$ 204,126

⁽¹⁾ The amount due from Beihai College is non-interest bearing with no set terms of repayment the represents the non-eliminating portion of the intercompany account resulting from joint venture accounting.

(b) Amounts due to officers, employees, directors and non-arm's length investors:

	May 31, 2019	August 31, 2018
Due to officers and directors of the Company ⁽¹⁾	\$ 876,423	\$ 1,335,717
Due to the President of IRIX ⁽²⁾	132,243	126,486
Due to investors of GEC Project 3 ⁽³⁾	-	721,871
	<u>\$ 1,008,666</u>	<u>\$ 2,184,074</u>

⁽¹⁾ Amounts due are non-interest bearing and have no fixed terms of repayment. Transactions include amounts paid or accrued as management fees or salaries.

⁽²⁾ Short-term advances and repayments have no terms of fixed terms of repayment and attract interest at 6% per annum.

⁽³⁾ Amount due to investors in GEC Project 3 associated with short-term advances attract interest at 5% per annum. Subsequent to August 31, 2018, the full balance of principal and accrued interest was paid.

(c) Amounts due from Weifang University on behalf of Beihai College:

	May 31, 2019	August 31, 2018
Accounts receivable – Weifang University ⁽¹⁾	\$ 4,779,662	\$ 3,741,149
Accounts payable – Weifang University ⁽¹⁾	(2,417,472)	(1,649,176)
	<u>\$ 2,362,190</u>	<u>\$ 2,091,973</u>

⁽¹⁾ Included in trade receivables on a net basis.

(d) Management fees and salaries:

During the three and nine months ended May 31, 2019, the Company and its subsidiaries incurred a total of \$256,510 and \$719,530 (three and nine months ended May 31, 2018 - \$219,700 and \$426,402) for management fees and salaries paid to certain directors and officers employed by the Company and its subsidiaries.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

MAY 31, 2019

(Unaudited)

NOTE 17 – SUPPLEMENTAL CASH FLOW INFORMATION

(a) Net changes in working capital not including cash items:

	Three Months Ended May 31,		Nine Months Ended May 31,	
	2019	2018	2019	2018
Accounts receivable	\$ (180,417)	\$ 1,212,300	\$ (2,025,653)	\$ (2,567,301)
Prepaid expenses	(167,694)	(371,667)	(183,519)	(408,185)
Inventory	79,864	135,481	(92,346)	(175,169)
Accounts payable and accrued liabilities	1,387,592	1,267,779	(155,963)	2,313,872
Other payables	29,601	(530,930)	(406,502)	5,666,387
Income taxes payable	(3,093,254)	(123,615)	(4,176,838)	(121,881)
Deferred educational revenues	(132,278)	219,415	4,139,874	4,756,076
Interest reserves	61,447	-	166,077	100,000
Increase (decrease)	\$ (2,015,139)	\$ 1,808,763	\$ (2,734,870)	\$ 9,563,799

The working capital items have been adjusted for the effects of non-cash changes and unrealized foreign exchange changes. Cash amounts paid for income taxes in the nine months ended were \$1,958,586 (nine months ended May 31, 2018 - \$Nil).

(b) Interest received and paid:

	Three Months Ended May 31,		Nine Months Ended May 31,	
	2019	2018	2019	2018
Interest received - operating	\$ 104,933	\$ 45,110	\$ 130,478	\$ 148,341
Interest paid – operating	(1,774,607)	(1,566,592)	(5,521,916)	(3,697,614)
	\$ (1,669,674)	\$ (1,521,482)	\$ (5,391,438)	\$ (3,549,273)

(c) Supplemental financing cash flows:

	Three Months ended May 31,		Nine Months ended May 31,	
	2019	2018	2019	2018
Balances, beginning of period	\$ 108,986,520	\$ 71,179,355	\$ 115,604,606	\$ 59,603,809
Cash flows, comprised of:	8,214,474	17,276,555	2,223,294	28,718,833
Repayments of secured loans ⁽¹⁾	(318,101)	(1,617,167)	(16,097,334)	(10,347,667)
Repayment of 2017 convertible debt	(61,719)	(61,719)	(185,155)	(184,915)
New advances of secured loans	-	19,000,000	10,000,000	39,406,598
Advances of convertible debt	8,642,190	-	8,642,190	-
Finance lease liability payments	(47,896)	(44,559)	(136,407)	(155,183)
<u>Liability related items:</u>				
Finance fees paid on secured loans	(296,279)	(799,727)	(647,657)	(1,138,275)
<u>Non-cash related items:</u>				
Finance lease additions (disposals), net	5,562	2	5,562	83,495
Deposit reserve repayment ⁽²⁾	-	-	(1,000,000)	-
Conversion of 2017 convertible debt	-	-	-	(4,800)
2019 Debentures	(259,052)	-	(259,052)	-
Finance cost accretion and other	214,049	316,352	938,521	709,475
Assumption of debt	-	22,500,000	-	22,500,000
Balances, end of period	\$ 116,865,274	\$ 110,472,537	\$ 116,865,274	\$ 110,472,537

⁽¹⁾ Includes credit facility activity.

⁽²⁾ Deposit previously held released for repayment on secured loan.

NOTE 18 – GEC Project 4 Business Acquisition

On March 15, 2018, GEC LP 4 and LP 8 entered into arrangements which resulted in a business combination achieved in stages as described in Note 6 of the consolidated financial statements for the year ended August 31, 2018. The original purchase price allocation was preliminary, and the fair values were measured on a provisional basis. During the measurement period, which was one year after the acquisition date, there was no new information obtained about facts and circumstances that existed at the date of acquisition and thus no resulting adjustments to purchase price allocation.

NOTE 19 – EVENTS AFTER THE REPORTING PERIOD

(a) Treasury Shares

The Company's NCIB resumed on June 13, 2019. Subsequent to May 31, 2019, the Company repurchased 674,500 common shares, resulting in 674,500 treasury shares held for cancellation. See Note 12(b).

(b) Borrowings

In June 2019, a limited partnership controlled by the Company repaid an existing loan and received new funding in the amount of \$8,000,000, secured by a first mortgage. Monthly interest payments are due until maturity in October 2020 with a \$750,000 interest reserve set aside on closing. The Loan may be prepaid subject to certain conditions. In July 2019, the same limited partnership executed a commitment letter for funding of \$3,750,000, secured by a second mortgage. Funding is expected to occur during the quarter ending August 31, 2019 on completion of all funding conditions.

(c) Real Estate Developments

In June 2019, the subsidiary of the Company entered into a purchase and sale agreements for the purchase of an adjacent piece of land on substantially the same terms as the other GEC Project 10 purchase agreements and paid a refundable deposit of \$50,000.

(d) Conditional Subscription

In June 2019, the Company became aware of an US\$8 million (approximately \$10.7 million) conditional subscription for an investor who intends to invest in Project 10 via the Company's investment limited partnership structure in the quarter ending August 31, 2019. The net proceeds after payment of the Company's development fee be will invested in Project 10 if this subscription is completed.

NOTE 20 – SEGMENTED INFORMATION

Operating results of business segments are reviewed by 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. Transactions between CIBT, SSCC, SSLC / VIC, IRIX, GECH and the Company (Corporate) are reported as inter-segment transactions and are eliminated on consolidation. Educational, design and adverting and rental revenues are recognized over a period of time and commissions and referral fees and development fee revenues are recognized at a point in time.

Industry and Geographic Segments

	Nine Months Ended May 31, 2019						Consolidated
	CIBT (China)	SSCC (Canada)	SSLC / VIC (Canada)	IRIX (Canada)	GECH (Canada)	Corporate (Canada)	
Revenues							
Revenues from contracts with customers							
Educational	\$ 2,321,362	\$ 25,802,774	\$ 8,689,284	\$ -	\$ -	\$ -	\$ 36,813,420
Design and advertising	-	-	-	697,008	-	-	697,008
Commissions and referral fees	569,610	-	-	-	-	-	569,610
Rental	-	-	-	-	4,416,484	-	4,416,484
	<u>2,890,972</u>	<u>25,802,774</u>	<u>8,689,284</u>	<u>697,008</u>	<u>4,416,484</u>	<u>-</u>	<u>42,496,522</u>
Revenues from leases	-	-	-	-	4,109,200	-	4,109,200
Revenues from development fees	-	-	-	-	-	2,152,762	2,152,762
	<u>\$ 2,890,972</u>	<u>\$ 25,802,774</u>	<u>\$ 8,689,284</u>	<u>\$ 697,008</u>	<u>\$ 8,525,684</u>	<u>\$ 2,152,762</u>	<u>\$ 48,758,484</u>
Revenues, net of direct costs	\$ 1,285,005	\$ 16,159,459	\$ 3,474,816	\$ 552,435	\$ 3,328,900	\$ 2,152,762	\$ 26,953,377
Other expenses and items:							
General and administrative	(1,107,097)	(12,415,904)	(4,385,057)	(468,621)	(2,004,091)	(3,670,390)	(24,051,160)
Amortization	(57,283)	(736,280)	(181,742)	(9,086)	(638,619)	(2,256)	(1,625,266)
Share-based payment expense	-	-	-	-	-	(221,540)	(221,540)
Interest and other income	68,613	9,329	4,320	9,050	668,693	-	760,005
Foreign exchange gain (loss)	30,286	-	-	6,375	739	(9,933)	27,467
Finance costs	-	(103,875)	-	-	(4,381,599)	(54,144)	(4,539,618)
Finance fees	-	-	-	-	(642,641)	252,759	(389,882)
Income (loss) from investment in associates	-	-	-	-	-	-	-
Impairment in value of long-lived assets	-	-	-	-	-	-	-
Gain on fair value changes in investment properties	-	-	-	-	8,100,000	-	8,100,000
Gain (loss) on disposal of assets	-	(51,406)	-	-	-	-	(51,406)
Income tax recovery (provision), net	(62,956)	(714,000)	293,700	(43,175)	(560,121)	1,813,745	727,193
Inter-segment transactions	-	(216,989)	-	52,665	(8,917)	173,241	-
Net income (loss)	<u>\$ 156,568</u>	<u>\$ 1,930,334</u>	<u>\$ (793,963)</u>	<u>\$ 99,643</u>	<u>\$ 3,862,344</u>	<u>\$ 434,244</u>	<u>\$ 5,689,170</u>

NOTE 20 – SEGMENTED INFORMATION (cont'd)

Industry and Geographic Segments	May 31, 2019						
	CIBT (China)	SSCC (Canada)	SSLC / VIC (Canada)	IRIX (Canada)	GECH (Canada)	Corporate (Canada)	Consolidated
Total assets	\$ 4,396,728	\$ 35,662,633	\$ 8,654,968	\$ 321,937	\$ 287,056,115	\$ 10,312,622	\$ 346,405,003
Property and equipment	\$ 100,207	\$ 2,600,219	\$ 313,192	\$ 42,918	\$ 58,463,550	\$ 12,786	\$ 61,532,872
Investment properties	\$ -	\$ -	\$ -	\$ -	\$ 154,485,672	\$ -	\$ 154,485,672
Intangible assets	\$ 601,896	\$ 7,511,572	\$ 1,371,545	\$ -	\$ -	\$ -	\$ 9,485,013
Goodwill	\$ -	\$ 5,218,228	\$ 4,838,025	\$ -	\$ -	\$ 300,000	\$ 10,356,253
Total liabilities	\$ 1,082,713	\$ 33,263,375	\$ 4,116,314	\$ 320,149	\$ 120,148,081	\$ 11,265,450	\$ 170,196,082
Non-controlling interests	\$ 36,061	\$ -	\$ -	\$ (118,255)	\$ 125,613,003	\$ -	\$ 125,530,809
Capital expenditures	\$ 12,854	\$ 276,443	\$ 39,189	\$ 1,218	\$ 453,299	\$ -	\$ 783,003

NOTE 20 – SEGMENTED INFORMATION (cont'd)

Industry and Geographic Segments	Nine Months Ended May 31, 2018						
	CIBT (China)	SSCC (Canada)	SSLC / VIC (Canada)	IRIX (Canada)	GECH (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)
Impairment in value of long-lived assets	-	-	-	-	-	-	-
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 20 – SEGMENTED INFORMATION (cont'd)

Industry and Geographic Segments	May 31, 2018						Consolidated
	CIBT (China)	SSCC (Canada)	SSLC / VIC (Canada)	IRIX (Canada)	GECH (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

--- END OF FINANCIAL STATEMENTS ---