



**CIBT EDUCATION GROUP INC.**

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

**FOR THE THREE AND NINE MONTHS ENDED MAY 31, 2022**

**CIBT EDUCATION GROUP INC.**  
**(the “Company” or “CIBT”)**  
**MANAGEMENT’S DISCUSSION & ANALYSIS**  
**FOR THE THREE AND NINE MONTHS ENDED MAY 31, 2022**

The following Management’s Discussion & Analysis (“**MD&A**”) is prepared in accordance with Form 51-102F1 and should be read in conjunction with the condensed consolidated interim financial statements and related notes for the three and nine months ended May 31, 2022 (the “**Q3 2022 Financial Statements**”) which have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) as issued by the International Accounting Standards Board (“**IASB**”). The comparatives in this MD&A have been presented in accordance with IFRS. Additional information about the Company and its subsidiaries, including its annual information form, is available under the Company’s profile on SEDAR ([www.sedar.com](http://www.sedar.com)).

**FORWARD-LOOKING INFORMATION**

This MD&A contains certain forward-looking statements, which relate to future events or the Company’s future performance that include terms such as “will”, “intend”, “anticipate”, “could”, “should”, “may”, “might”, “expect”, “estimate”, “forecast”, “plan”, “potential”, “project”, “assume”, “contemplate”, “believe”, “shall” and similar terms. These statements involve known and unknown risks, uncertainties and other factors that are beyond the Company’s control, which may cause actual results or events to differ materially from those anticipated in such forward-looking statements.

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

1. The Company expects that domestic and international student enrolment will increase in the September 2022 semester above levels experienced in 2021 or 2020: the underlying material factors or assumptions is that students will continue to pursue education in increasing numbers.
2. Development fees are expected to be a recurring source of revenues: the underlying material assumption is that the Company’s real estate business will continue to expand.
3. The Company expects they will continue to meet obligations as they become due: the underlying material assumption is that the Company will continue to secure new equity or debt financing under reasonable terms and/or refinance existing borrowings as required.
4. The Company expects a new loan will be funded: the underlying material assumption is that all remaining requirements of the lender will be satisfied and the loan funded.
5. The Company’s plans for the proposed GEC<sup>®</sup> real estate projects: the underlying material factors or assumptions are that sufficient equity financing is raised from the investment community and that the applicable limited partnerships are able to secure new loans and to refinance existing loans upon their maturities to enable the purchase and development of the projects; that the relevant municipalities are receptive to the proposed building plans; that these projects can be built or acquired for a price determined reasonable by the Company and its investment partners; there are no significant government policy changes, and that there are no adverse impacts of COVID-19 leading to further delay for the properties under development and these projects can be completed in a reasonable amount of time as determined by the Company and the developers.

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

Reference should also be made to the risks described herein under the heading “Risks Related to the Company’s Business” for a discussion of these and other sources of factors underlying forward-looking statements and those additional risks set forth under the heading “Risk Factors” and elsewhere in the Company’s annual information form for the year ended August 31, 2021 which is available under the Company’s profile on SEDAR ([www.sedar.com](http://www.sedar.com)).

**All figures are in thousands of Canadian dollars except share and per share data unless otherwise noted.**

Certain monetary amounts, percentages and other figures included in this MD&A have been subject to rounding adjustments and accordingly figures expressed as percentages in certain tables may not be the arithmetic aggregation of the percentages that precede them.

This MD&A has been prepared as of July 13, 2022. In this MD&A, the following terms have the meanings shown:

“**Annual Financial Statements**” means the Company’s consolidated financial statements for Fiscal 2021.

“**Annual MD&A**” means the Company’s MD&A for Fiscal 2021.

“**Fiscal 2022**” means the fiscal year ending August 31, 2022.

“**Fiscal 2021**” means the fiscal year ended August 31, 2021.

“**Fiscal 2020**” means the fiscal year ended August 31, 2020.

“**Q1 2022**” means the three months ended November 30, 2021.

“**Q2 2022**” means the three months ended February 28, 2022.

“**Q3 2022**” means the three months ended May 31, 2022.

“**Q4 2022**” means the three months ending August 31, 2022.

“**Q1 2021**” means the three months ended November 30, 2020.

“**Q2 2021**” means the three months ended February 28, 2021.

“**Q3 2021**” means the three months ended May 31, 2021.

“**Q4 2021**” means the three months ended August 31, 2021.

## **NON-IFRS FINANCIAL MEASUREMENTS**

The Company has included certain non-IFRS performance measures throughout this document including: (a) Earnings before Interest, Taxes, Depreciation and Amortization (“**EBITDA**”); (b) Adjusted EBITDA which is EBITDA adjusted for the gain (loss) on change in fair value of the Company’s investment properties and the gain (loss) on change in fair value of derivative instruments; (c) Book Value per share (“**BVPS**”), which is total shareholders’ equity divided by total outstanding shares at the end of the reporting period; and (d) gross margin (“**Gross Margin**”) which is the difference between revenue and direct cost of sales, divided by revenue, expressed as a percentage. These non-IFRS financial measurements do not have any standardized meaning as prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. Accordingly, these performance measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. Management uses EBITDA metrics to measure the profit trends of the business units and segments in the consolidated group since it eliminates the effects of financing decisions. Certain investors, analysts and others utilize these non-IFRS financial metrics in assessing the Company’s financial performance. These non-IFRS financial measurements have not been presented as an alternative to net income (loss) or any other financial measure of performance prescribed by IFRS. Reconciliation of the non-IFRS measures have been provided on page 14 of this MD&A.

**Date of Report – July 13, 2022**

**CIBT EDUCATION GROUP INC.**  
**MANAGEMENT'S DISCUSSION & ANALYSIS**  
**FOR THREE AND NINE MONTHS ENDED MAY 31, 2022**

## NATURE OF BUSINESS

CIBT is one of the largest education and student housing investment companies in Canada, focused on the domestic and global education market since 1994. The Company's common shares are listed on the Toronto Stock Exchange (the "TSX") under the trading symbol "MBA" and quoted on United States OTCQX-International under the trading symbol "MBAIF".

The Company owns business and language colleges, student-centric rental apartments, recruitment centres and corporate offices at 45 locations in Canada and abroad. CIBT offers over 150 educational programs in health care, business management, e-commerce, hotel management, and language training via its education subsidiaries. Its real estate business provides rental housing and provides accommodation service to 90 schools in the Metro Vancouver area, British Columbia, serving domestic and international students from 71 countries. In 2021, the Company provided educational and housing services to nearly 10,000 students through its 45 locations. The Company controls and is an investor in limited partnerships that own a network of serviced apartments and one hotel. Certain subsidiaries of the Company act as general partner and manager to these limited partnerships.

The Company's operating entities are as follows:

Legal / Operating Entity	Business Description
Global Education City Holdings Inc. ("GECH")	Investment holding, development and management company with a focus on real estate projects such as serviced apartments and hotels for domestic and international students as well as corporate housing in the Metro Vancouver area of British Columbia
Sprott Shaw College Corp. ("SSCC")	Private career and technical training college offering diplomas and certificates in health care, tourism, hospitality, business, administrative, technical trades, and international studies in Canada
Sprott Shaw Language College ("SSLC") and Vancouver International College Career Campus ("VIC")	English as a Second Language College, offering accredited programs such as General English (ESL), College Preparation/Pathway, Business English, Medical English, English Language Test Preparation, Vacation English and Online English  Career-training College, offering accredited programs in the following fields: Business Management, Customer Service, TESOL Teacher Training; Interpreting and Translation for Koreans and Online English Teacher Training
Global Education Alliance Inc. ("GEA")	Recruitment of international students and on-ground concierge services for elite kindergarten, primary, secondary school and university students coming to study in North America
CIBT School of Business & Technology Corp. ("CIBT China")	College program provider offering automotive technical training, English teacher preparation, English as Second Language, and accounting programs in China
IRIX Design Group Inc. ("IRIX")	Design and advertising company which mainly services the real estate industry

The Company's primary business units consist of three categories with Corporate (head office) as the supporting hub: *Education related real estate*: GECH; *Education*: SSCC, SSLC/VIC, GEA, and CIBT China; and *Media*: IRIX.

## THIRD QUARTER HIGHLIGHTS

The COVID-19 pandemic continued to evolve and impact the Company in Fiscal 2021 as described in the Annual MD&A. During Q2 and Q3 2022, restrictions continued to be lifted; however, in mid-December 2021, the spread of the Omicron variant of COVID-19 resulted in re-imposed restrictions on travel and limitations on size of gatherings during Canada's fifth wave of the pandemic. In April 2022, the sixth wave was driven by a more contagious subvariant of the Omicron variant; however, the removal of COVID-19 related restrictions continues to proceed across the country. Despite this progress, the pandemic is not over and it is possible restrictions could return.

Canada reopened its border to non-essential travel for fully vaccinated visitors from the United States in early August 2021 and from other countries in early September 2021. For the September 2021 semester start, many international students commenced classes which is reflected in the substantial growth of SSLC/VIC revenue. A percentage of international students chose to defer return to class until the Spring 2022 semester given the latest variants of COVID-19 and a steady stream of domestic and international students have returned to class throughout Q1 and Q2 2022. Enrolment for the September semester is expected to be higher than the same period of 2021 and 2020.

References to COVID-19 are made throughout this MD&A to describe significant changes in financial results. There have been no significant changes to the information appearing in the sections of the Annual MD&A titled *Industry Growth Prospect* or *Outlook for Fiscal 2022*.

### **Real estate portfolio and transactions**

During Q3 2022, the Company continued to receive offers from parties interested in buying certain of the Company's properties given the strong demand and low supply for income producing properties. The decision to sell a property will be based on the price offered and other terms and conditions related to the future management of a property after any potential sale. At the date of this report there were no binding deals in place for any of the properties.

Despite a promising rental environment, inflation and prime rate increases continue to create economic uncertainty. There continue to be global supply-chain constraints and labour shortages and these increase the cost of goods and services, including construction costs for the Company's development properties. The Company is also impacted by delays at various city departments which in turn impacts the activity on development properties and the recognition of development fees.

### **GEC® King Edward ("Project 2")**

Construction, which commenced in January 2021, is well underway. Occupancy was originally expected to occur in September 2022 in time for the fall 2022 school semester; however, based on the current construction schedule the building will be available for rent in Q2 2023 and will add approximately 190 beds to the Company's portfolio.

### **GEC® Richmond ("Project 9")**

In March 2018, a subsidiary of the Company, Global Education City (Richmond) Limited Partnership 9 ("**LP 9**"), entered into a purchase contract and paid a deposit to purchase two of the seven buildings to be constructed at the Atmosphere Project in Richmond, British Columbia. The developer has been unable to meet its construction schedule and in September 2021, the building permits for the initial construction of the buildings' foundation expired after a period of inactivity. At August 31, 2021, the Company expected to fully realize the full amount of the deposits and amounts due from developer based on the value of collateral securing the amounts.

On April 1, 2022, the developer and its partners (collectively, the "**Developer**") applied for and was granted an initial order to commence proceedings under the *Canada Companies' Creditors Arrangement Act* (the "**CCAA**") to restructure its business. A hearing in the Supreme Court of British Columbia (the "**Court**") was scheduled in late April at which time the Developer, under supervision of the court, was to determine whether the project would be restructured or sold. The Court has extended the timelines and resolution of this matter is not expected until early August and may be delayed again. There is the possibility that LP 9 may not be repaid the full amount of the deposits or the amounts due from the Developer depending on the final decision made by the Court; however, the outcome cannot be reliably estimated at this time. The Company will continue to explore options related to the project under the CCAA process, including partnering with other developers to ultimately construct the project, with any such possible outcomes being subject to approval of the Court.

### **Borrowings**

During Q3 2022, limited partnerships controlled by the Company modified the terms of various financing arrangements to change maturity dates. IFRS requires a Company to remeasure the debt instrument at the present value of the estimated cash flows under the new agreement. At the date of modification, the difference between the present value of the existing loan and the new agreements is measured. During Q3 2022 and the nine months ended May 31, 2022, non-cash gains on modification of debt of \$380 and \$3,400, respectively, were recognized which are included in other income (expense), net on the condensed consolidated interim statements of comprehensive income and loss.

The prime rate has increased three times during Fiscal 2022 and the Bank of Canada has indicated additional interest rate increases may occur during the rest of calendar 2022. At May 31, 2022, approximately 69% of the Company's debt portfolio have variable rates which are subject to minimum rates. This means that despite recent prime rate increases for the majority of the Company's variable debt, the interest rates did not increase above the stated minimum rates and therefore there was only nominal impact on interest expense to May 31, 2022. The Company does anticipate interest costs will increase in Q4 2022 and management is currently investigating ways to mitigate against these increases. See section "Financial Instruments and Financial Risk Management – *Liquidity Risk – Contractual Obligations*" for further details.

**QUARTERLY FINANCIAL REVIEW**

The Company's selected financial information for the last eight completed fiscal quarters is shown in the table below. Accounting policies under IFRS were consistently applied across all periods.

	Q3 2022	Q2 2022	Q1 2022	Q4 2021
Total revenues	18,879	16,718	17,074	16,069
Net income (loss)	56	(782)	854	(1,112)
Adjusted EBITDA <sup>(1)</sup>	4,857	3,967	6,140	2,028
Net income (loss) - CIBT shareholders	284	(288)	241	(2,052)
Income (loss) per share - CIBT shareholders – basic and diluted <sup>(2)</sup>	0.00	(0.00)	0.00	(0.03)

	Q3 2021	Q2 2021	Q1 2021	Q4 2020
Total revenues	16,457	13,941	14,402	15,985
Net income (loss)	(1,320)	6,510	1,099	(10,288)
Adjusted EBITDA <sup>(1)</sup>	3,500	2,939	4,308	9,105
Net income (loss) - CIBT shareholders	(895)	6,599	1,051	(4,366)
Income (loss) per share - CIBT shareholders – basic and diluted <sup>(2)</sup>	(0.01)	0.09	0.01	(0.06)

<sup>(1)</sup> Non-GAAP financial measure. See section “Non-GAAP Financial Performance Measures” on page 14 for reconciliation.

<sup>(2)</sup> Basic and diluted income (loss) per share is the same for all periods except for Q2 2021 in which diluted income per share was \$0.02 which reflects the dilutive effect on net income of conversion of convertible promissory notes as at the beginning of the quarter.

Total revenues consist of: (a) educational revenues; (b) rental revenues; (c) development fees; and (d) revenues from other lines of business. Net income (loss) fluctuates based on changes in margins across all operating segments, the timing of recognition of fair value gains (losses) on investment properties which depend on operating performance, real estate market, and the original purchase cost and the timing of recognition of development fees. Development fees and net fair value gains have higher gross margins than other types of revenue. Net income (loss) attributable to the Company's shareholders varies depending on the net income (loss) in the quarter and the portion attributable to the Company's non-controlling interests. COVID-19 started to impact the Company's results in Q3 2020 and some of the Company's revenue streams continue to be impacted; however, throughout Fiscal 2021 and to date in Fiscal 2022, the Company experienced recovery and growth in the majority of its business.

The following additional factors have caused variation over the quarterly periods presented. The Company's education business includes minor seasonality as revenue fluctuates with school terms. The Company historically has a spike in its deferred revenues in September which is the typical starting date of courses geared towards domestic students. Given the low rental vacancy rate in Vancouver, the Company's rental revenues are generally consistent throughout the year except for the hotel property which typically has its highest revenues from March to September.

SSCC's domestic registration, which represents the largest proportion of total education revenues, has continued to be strong but decreased in Q3 2022 compared to Q3 2021. Domestic registration and revenues include instruction provided to students sponsored by the provincial government. In response to COVID-19, the number of government funded contracts has increased and contracts continue to be available. Due to the significant labour shortage, some students chose to defer their study and enter the work force instead.

The language school sector, including SSLC/VIC, experienced lower enrollment in Fiscal 2021 compared to the previous year due to travel restrictions and border closures which significantly restricted enrolments. During Fiscal 2022, SSLC/VIC revenues were significantly higher than Fiscal 2021 revenues, both quarter and year to date (“YTD”) and approached pre-COVID levels due to the surge of returning international students who suspended their travel during calendar 2020 and 2021.

The Company recognized other income from wage subsidies starting in Q3 2020 and rental subsidies starting in Q2 2021 under COVID-19 programs with the Canadian Government. These government grants are not subject to repayment and management believes they have properly met the application requirements. These government programs ceased in Q3 2022.

Rental revenues generally increase as more GEC<sup>®</sup> rental units become available and are rented, which occurs when new properties are acquired or when the construction of a real estate project is completed and an occupancy permit issued, subject to a ramp-up period. In October 2020, during Q1 2021, new rental units became available. In the second half of Fiscal 2020 and for Fiscal 2021, rental revenue from the Company's only hotel property was impacted by lower occupancy as a result of travel restrictions. Revenue increased each quarter in Fiscal 2021 as occupancy started to increase and certain rent incentives the Company offered were discontinued resulting in higher overall rates. In Q3 2022, occupancy at the hotel property was over 10% higher than in Q3 2021 and the average daily room rates boosted the revenues to the highest in its history. The occupancy and revenues at GEC<sup>®</sup> long-stay properties started to increase in Q2 2021 and have continued to grow in Fiscal 2022, with all properties exceeding pre-COVID occupancy levels.

Development fees recognition is dependant on the status of real estate projects. Real estate projects involve development and construction timelines spanning several years and require substantial investment which is generally staged over several quarters as is the receipt by the Company of these development fees. Global economic and geo-political conditions compounded by post-pandemic concerns may affect investment sentiments in the short-term causing slow-down of large-scale new developments while small to mid-size developments are expected to remain popular. Furthermore, backlogs at the various departments of the cities in which the Company has real estate projects are expected to impact the timing of real estate project status and thus the development fee recognition.

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**REVIEW OF QUARTERLY FINANCIAL RESULTS**

The table below provides key financial performance of each main business unit of the Company for Q3 2022 compared to Q3 2021.

	Q3 2022	Q3 2021	Absolute Change	% change
Total revenues	\$ 18,879	\$ 16,457	\$ 2,422	15
Gross margin <sup>(1)</sup>	57%	58%	(1%)	
Educational revenues – SSCC	\$ 10,698	\$ 11,295	\$ (597)	(5)
Gross margin – SSCC	58%	61%	(3%)	
Educational revenues – SSLC / VIC	\$ 2,467	\$ 807	\$ 1,660	206
Gross margin – SSLC / VIC	36%	16%	20%	
Educational revenues – CIBT China	\$ 713	\$ 756	\$ (43)	(6)
Gross margin – CIBT China	39%	42%	(3%)	
Rental revenues – GECH	\$ 4,611	\$ 2,653	\$ 1,958	74
Gross margin – GECH	69%	53%	16%	
Development fees – GECH and Corporate	\$ -	\$ 667	\$ (667)	(100)
Design and advertising revenues – IRIX	\$ 142	\$ 140	\$ 2	1
Gross margin – IRIX	85%	73%	12%	
Commissions and referral fees – GEA	\$ 248	\$ 139	\$ 109	78
Gross margin – GEA	50%	41%	9%	
<b>Gross profit <sup>(1)</sup></b>	<b>\$ 10,770</b>	<b>\$ 9,603</b>	<b>\$ 1,167</b>	<b>12</b>
Other operating expenses	\$ (8,337)	\$ (8,777)	\$ 440	(5)
Finance costs	(2,830)	(4,165)	1,335	(32)
Change in fair value (loss) gain	(507)	(298)	(209)	70
Other income (expense), net	1,015	1,978	(963)	(49)
<b>Income (loss) before income taxes</b>	<b>\$ 111</b>	<b>\$ (1,659)</b>	<b>\$ 1,770</b>	<b>107</b>
Income tax (expense) recovery	(55)	339	(394)	116
<b>Net income (loss)</b>	<b>\$ 56</b>	<b>\$ (1,320)</b>	<b>\$ 1,376</b>	<b>104</b>
Net income (loss) attributable to CIBT shareholders	\$ 284	\$ (895)	\$ 1,179	132
Income (loss) per share – CIBT shareholders				
Basic	\$ 0.00	\$ (0.01)	\$ 0.01	100
Diluted	\$ 0.00	\$ (0.01)	\$ 0.01	100
<b>EBITDA [Non-IFRS] <sup>(1)</sup></b>	<b>\$ 4,536</b>	<b>\$ 2,226</b>	<b>\$ 2,310</b>	<b>104</b>

<sup>(1)</sup> Non-IFRS financial measure. See section “Non-GAAP Financial Performance Measures” on page 14 for reconciliation of EBITDA.

**Q3 2022 compared to Q3 2021**

Results in Q3 2022 reflect the continued recovery of operations. Gross profit less other operating expenses increased nearly 200% to \$2,433 in Q3 2022 from \$826 in Q3 2021.

**Educational**

Educational revenues predominately consist of tuition fees, sales of textbooks, supplies and related items, and other non-training services, which includes registration and administration fees. Deferred education revenues at May 31, 2022 were \$25,540 (August 31, 2021 - \$24,010) which primarily represents revenues which will be recognized as programs are provided by each education business over the next one to two fiscal years depending on the type of programs. Overall educational revenues increased by \$1,020 in Q3 2022 compared to Q3 2021.

- Revenues for SSCC decreased in Q3 2022 compared to Q3 2021. Domestic revenues, which include providing instruction to students under government funded programs, decreased in Q3 2022. Government agencies have funded additional education programs since the start of the pandemic which has resulted in additional revenues as SSCC recruits and places students in programs. Management believes that there are now fewer students as during the pandemic individuals were taking the opportunity to further their education when employment was not available and as work opportunities become available, enrollment is expected to decrease in some periods. SSCC's international revenues have started to increase in Q3 2022 from Q3 2021; however, despite increased enrolment these revenues continue to be lower than pre-pandemic levels. Margins for SSCC decreased in Q3 2022 compared to Q3 2021 mainly as the result of increased teacher salaries in a difficult labour market.
- Revenues for SSLC/VIC increased in Q3 2022 mainly as a result of increased international enrolment compared to Q3 2021. Recovery of the international student enrolment in language and career programs has been slower than initially expected and outbreaks of new variants continue to delay progress; however, enrolment has increased in Fiscal 2022. Margins increased substantially in Q3 2022 to 36% from 16% in Q3 2021. During the comparative quarter, certain costs did not decrease proportionately with the reduced revenues and during Q3 2022, revenues started to increase which offsets these fixed costs. Including the impact of wage subsidies on direct costs, margins were 36% for Q3 2022 and 37% for Q3 2021.
- Revenues for CIBT China decreased nominally in Q3 2022. Certain teacher training services continue to be suspended due to travel restrictions at CIBT China's other divisions resulting in the overall decrease in revenues. Margins decreased in Q3 2022 and are impacted by the mix of services provided as there are different margins by service. COVID-19 concerns continue to restrict local travels and student attendance in China.

#### **Real estate and student housing**

- Rental revenues have continued to rebound with rental revenues in Q3 2022 higher than both Q2 and Q1 2022 and considerably higher than Q3 2021 across all operating properties. Rental revenues increased by \$1,958 in Q3 2022 compared to Q3 2021 as occupancy rates returned to pre-COVID levels, with the largest relative increases at the Company's hotel property and GEC<sup>®</sup> Viva and GEC<sup>®</sup> Pearson. With the increased demand for units, including demand in the form of bulk leases to other colleges and universities, the promotions and rent inducements that were offered during Q3 2021 were not in place in Q3 2022 which combined with the higher occupancy resulted in higher overall revenue.
- Margins increased in Q3 2022 to 69% from 53% in Q3 2021. As revenues increase variable direct costs such as commissions associated with booking revenue, housekeeping, salaries and utilities increase; however, these costs did not increase in direct proportion to the increase in revenues. Fixed direct costs decreased in Q3 2022 compared to Q3 2021 as insurance costs decreased at one of the properties. Margins at all properties increased in Q3 2022 compared to Q3 2021.
- During Q3 2021, development fees were associated with GEC<sup>®</sup> Oakridge. There were no development fees recognized in Q3 2022.

#### **Other operating expenses (general and administrative expenses, amortization, and share-based payment expense)**

- General and administrative expenses increased by \$931 in Q3 2022 compared to Q3 2021, mostly due to professional fees, rent and salaries and benefits. Management continues to monitor spending and most other categories decreased. Consulting and professional fees fluctuate based on the Company's transaction and development activities.
- Amortization of property, equipment and intangible assets, which are non-cash expenses, decreased by \$309 in Q3 2022 compared to Q3 2021 as certain assets were fully depreciated at August 31, 2021.

#### **Finance costs**

Finance costs include interest expense on borrowings, finance fees (including accretion of finance fees and other), accretion of lease liabilities and changes in fair value of embedded derivatives. During Q3 2022, there were non-cash unrealized fair value gains on embedded derivatives of \$186 compared to \$976 of losses in Q3 2021. Total interest decreased in Q3 2022 compared to Q3 2021 as certain convertible debt and promissory notes were repaid or converted and there were changes in the mix of borrowings which have different rates.

#### **Fair value changes on investment property**

During Q3 2022, the Company recognized a non-cash fair value loss of \$507 associated with the GEC<sup>®</sup> Viva right-of-use asset classified as an investment property (Q3 2021 - \$298 fair value loss).

**Other income (expense), net**

During Q3 2022, other income (expense), net, decreased by \$963 compared to Q3 2021. Given the non-recurring nature of certain items in this financial statement category, fluctuations between comparative periods are expected. Changes between Q3 2022 compared to Q3 2021 include:

- Interest income and other income decreased by \$172 mainly as the result of lower interest income offset by other non-recurring income recognized in the quarter.
- Total government subsidies were \$533 in Q3 2021. Subsidy programs and amounts available continued to change over the duration of the programs and at May 31, 2022, all existing programs have ended and there were no amounts claimed in Q3 2022.

**REVIEW OF YEAR-TO-DATE FINANCIAL RESULTS**

The table below provides key financial performance of each main business unit of the Company for the nine months ended May 31, 2022 compared to the nine months ended May 31, 2021. Information by business segment is presented in Note 16 to the Q3 2022 Financial Statements.

	Q3 2022 YTD	Q3 2021 YTD	Absolute Change	% change
Total revenues	\$ 52,671	\$ 44,800	\$ 7,871	18
Gross margin <sup>(1)</sup>	57%	59%	(2%)	
Educational revenues – SSCC	\$ 30,007	\$ 29,720	\$ 287	1
Gross margin – SSCC	59%	61%	(2%)	
Educational revenues – SSLC / VIC	\$ 6,496	\$ 1,998	\$ 4,498	225
Gross margin – SSLC / VIC	39%	13%	26%	
Educational revenues – CIBT China	\$ 2,194	\$ 2,328	\$ (134)	(6)
Gross margin – CIBT China	38%	39%	(1%)	
Rental revenues – GECH	\$ 12,257	\$ 6,678	\$ 5,579	84
Gross margin – GECH	65%	49%	16%	
Development fees – GECH and Corporate	\$ 588	\$ 3,038	\$ (2,450)	(81)
Design and advertising revenues – IRIX	\$ 399	\$ 622	\$ (223)	(36)
Gross margin – IRIX	71%	56%	15%	
Commissions and referral fees – GEA	\$ 730	\$ 416	\$ 314	75
Gross margin – GEA	64%	51%	12%	
Gross profit <sup>(1)</sup>	\$ 30,228	\$ 26,285	\$ 3,943	15
Other operating expenses	\$ (24,805)	\$ (24,769)	\$ (36)	0
Finance costs	(8,991)	(10,140)	1,149	(11)
Change in fair value (loss) gain	(1,493)	8,779	(10,272)	(117)
Other income (expense), net	5,284	6,950	(1,666)	(24)
Income before income taxes	\$ 223	\$ 7,105	\$ (6,882)	(97)
Income tax (expense)	(95)	(816)	721	(88)
Net income	\$ 128	\$ 6,289	\$ (6,161)	(98)
Net income attributable to CIBT shareholders	\$ 237	\$ 6,755	\$ (6,518)	(96)
Income per share – CIBT shareholders				
Basic	\$ 0.00	\$ 0.09	\$ (0.09)	(100)
Diluted	\$ 0.00	\$ 0.02	\$ (0.02)	(100)
EBITDA [Non-IFRS] <sup>(1)</sup>	\$ 13,942	\$ 18,471	\$ (4,529)	(25)

<sup>(1)</sup> Non-IFRS financial measure. See section “Non-GAAP Financial Performance Measures” on page 14 for reconciliation of EBITDA.

COVID-19 started to impact the Company's results at the beginning of Q3 2020. As described in the "Review of Quarterly Financial Results" section above, the majority of the Company's business segments are back to pre-pandemic levels in the nine months ended May 31, 2022. Unless otherwise noted below, the explanation for the changes in the Company's results for the nine months ended May 31, 2022 were similar to the explanations for the three months ended May 31, 2022 discussed above aside from the numbers which are presented in the above table. Gross profit less other operating expenses increased to \$5,423 in YTD Q3 2022 from \$1,516 in YTD Q3 2021.

### Educational

Revenues for SSCC increased nominally in YTD Q3 2022 compared to YTD Q3 2021 for the same reasons as presented above with the exception of an increase in domestic revenues, including government projects, and an overall decrease in revenues from SSCC international students. While international students have started to return, management expects that for full Fiscal 2022 that revenues will continue to be lower than Fiscal 2021 which included revenues from students already enrolled in programs when the pandemic started.

Revenues for SSLC/VIC, which are entirely derived from international students, increased substantially in YTD Q3 2022 compared to YTD Q3 2021, with increases in all sources of revenue. Margins increased substantially YTD Q3 2022 to 39% from 13% in YTD Q3 2021. Including the impact of wage subsidies on direct costs, margins were 40% for YTD Q3 2022 and 38% for YTD Q3 2021.

### Other income (expense), net

During YTD Q3 2022, the majority of other income (expense), net, comprised of non-cash gains on debt modification of \$3,400, interest income of \$450, government subsidies of \$556 and other income of \$936. During YTD Q3 2021, the majority comprised of non-cash gains on debt modification of \$646, interest income of \$2,737, government subsidies of \$2,651 and other income of \$482. Other income (expense) also includes changes in foreign exchange gains or losses which fluctuate between periods.

## FINANCIAL CONDITION

The following table compares selected financial position information as at the dates shown:

	May 31, 2022	August 31, 2021	Dollar change	% Change
Total current assets	\$ 65,149	\$ 69,942	\$ (4,793)	(7)
Investment properties	340,248	322,606	17,642	5
Development assets	41,382	41,390	(8)	-
Other non-current assets	86,038	85,101	937	1
<b>Total assets</b>	<b>\$ 532,817</b>	<b>\$ 519,039</b>	<b>\$ 13,778</b>	<b>3</b>
Total current liabilities	\$ 235,265	\$ 204,831	\$ 30,434	15
Total non-current liabilities	\$ 79,014	\$ 110,625	\$ (31,611)	(29)
<b>Total liabilities</b>	<b>\$ 314,279</b>	<b>\$ 315,456</b>	<b>\$ (1,177)</b>	<b>0</b>
Equity – CIBT shareholders	\$ 43,678	\$ 50,797	\$ (7,119)	(14)
Non-controlling interests	\$ 174,860	\$ 152,786	\$ 22,074	14
<b>Total equity</b>	<b>\$ 218,538</b>	<b>\$ 203,583</b>	<b>\$ 14,955</b>	<b>7</b>
<b>Working capital (deficit) <sup>(1)</sup> – see below</b>	<b>\$ (170,116)</b>	<b>\$ (134,889)</b>	<b>\$ (35,227)</b>	<b>26</b>
<b>Net debt <sup>(2)</sup></b>	<b>\$ 229,471</b>	<b>\$ 225,912</b>	<b>\$ 3,559</b>	<b>2</b>

<sup>(1)</sup> Working capital (deficit) is a non-IFRS supplementary financial measure which is calculated as current assets less current liabilities.

<sup>(2)</sup> Total borrowings less cash and cash equivalents.

Total assets increased mainly as the result of: (a) development costs and capitalized borrowing costs added to investment properties; (b) increase in trade receivables; (c) increase in right-of-use assets; offset by (d) decrease in cash and cash equivalents. Total liabilities decreased mainly due to: (a) conversion of the GEC Marine Gateway Limited Partnership convertible promissory notes into units of that limited partnership resulting in \$14,427 reduction of current liabilities; offset by (b) an increase in borrowings under secured loans; and (c) an increase in deferred revenues. Non-controlling interests have increased as the result of additional investment into the Company's real estate limited partnerships including the conversion into units noted above.

## LIQUIDITY AND CAPITAL RESOURCES

The principal liquidity needs of the Company are for working capital requirements, debt servicing and repayment obligations, and costs associated with expanding the real estate business. The Company is exposed to liquidity risk which is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due in the normal course of business as further described in the Annual MD&A. The Company manages its liquidity risk by monitoring its operating requirements, securing new loans and refinancing on reasonable terms, reducing costs where possible, and applying for any available government funding to support its business. The Company recently repaid its revolving operating credit line and has not redrawn on it and therefore has \$2,500 available should one of its education subsidiaries require funding. In addition, the Company has an undrawn demand operating credit facility of \$1,927 at the date of this report in addition to cash and cash equivalents of \$11,424 at May 31, 2022. The Company also has restricted cash of \$1,259 at May 31, 2022 mainly related to amounts held for certain real estate limited partnerships.

The Company continues to have a working capital deficit which has been the case for the last several years and given the capital-intensive nature of the Company's business model, it is expected that this will continue to be the case. However, the Company has continued to meet its obligations as they become due, and management believes this will continue to be the case.

It is common in the real estate holding and development sectors to have negative working capital and in the Company's case, negative working capital results primarily from the difference between the classification of investment properties and the Company's hotel, as non-current assets, and a portion of the borrowings associated with those assets being classified as current liabilities as they are due within 12 months. The total amount of borrowings which are due within 12 months fluctuate based on the timing of funding, repayment dates or mortgage renewals and types of loans held by the Company. Given the nature of the real estate business, management determines the length of the borrowing term to optimize flexibility should opportunities arise to dispose of properties on economically favourable terms.

CIBT's negative working capital at May 31, 2022 and the change from August 31, 2021 is predominately driven by the following factors including a decrease in cash of \$6,914.

- The current portion of borrowings liabilities of \$184,780 at May 31, 2022, an increase of \$27,886 from August 31, 2021
- Deferred revenues which represent an obligation to provide services at future dates at which time revenues will be recognized of \$26,804 at May 31, 2022, an increase of \$1,803 from August 31, 2021
- Current lease liability which does not match the non-current classification of the associated right-of-use assets of \$4,241 at May 31, 2022, an increase of \$347 from August 31, 2021

The Company has a history of successfully raising capital financing and anticipates it will continue to secure new equity or debt financings under reasonable terms and/or to refinance existing borrowings with debts of similar natures as needed; however, there is no assurance that such financing will be available on favourable terms or at all. The Company expects it will have sufficient capital resources to carry out expansion plans and support operations through Fiscal 2022 based on existing cash and available credit facility, cash expected to be generated from operations, and successful capital raising which it considers probable based on the history of refinancing of similar debts.

The Company uses cash resources at its discretion to purchase treasury shares when the Company has sufficient cash resources and determines that the repurchase of shares will increase shareholder value. The Company used \$1,009 in cash for such repurchases in YTD Q3 2022 (YTD Q3 2021 - \$1,995).

### **Analysis of cash flows**

The following table summarizes cash inflows and outflows for the noted periods. The Company's operations have been financed primarily through internal cash flows, third-party secured loans and other financing and contributions from non-controlling interests in limited partnerships controlled by the Company.

**Analysis of cash flows (continued)**

	Q3 2022	Q3 2021	YTD Q3 2022	YTD Q3 2021
Cash flows provided by operating activities	\$ 8,251	\$ 6,522	\$ 7,850	11,451
Cash flows (used in) investing activities	(7,061)	(5,480)	(20,544)	(61,405)
Cash flows provided by financing activities	2,123	4,774	5,824	47,141
Effects of exchange rate changes on cash and cash equivalents	(85)	(67)	(44)	(80)
Increase (decrease) in cash and cash equivalents	\$ 3,228	\$ 5,749	\$ (6,914)	(2,893)
Cash and cash equivalents, beginning of period	8,196	14,388	18,338	23,030
Cash and cash equivalents, end of period	\$ 11,424	\$ 20,137	\$ 11,424	20,137

Cash flows used in or provided by operating activities can vary significantly from period to period as a result of the Company's working capital requirements associated with its real estate projects and timing of receipt of development fee revenues. Management has assessed that there is no increased collection risk. Cashflows for interest costs associated with operating properties increased by 15% YTD Q3 2022 compared to YTD Q3 2021.

Cash flows used in investing activities vary depending on the nature of transactions, including asset purchases occurring during a period. During YTD Q3 2022, a majority of the cash used was for development costs associated with the GEC® King Edward and GEC Education Mega Center® projects as well as cash paid for capitalized borrowing costs. During YTD Q3 2021, a majority of the cash used in investing activities was associated with cash used for the purchase of the GEC® Marine Gateway property in October 2020 and development costs and capitalized borrowing costs on investment properties.

Cash provided by financing activities vary depending on the borrowing transactions, non-controlling interest contributions and distributions, and the Company's treasury share buyback activity. During YTD Q3 2022, there was less third-party funding and associated costs compared to YTD Q3 2021 as there were no property purchases in the period. There were less net capital contributions received by the Company in YTD Q3 2022 compared to YTD Q3 2021. Note 14(b) of the Q3 2022 Financial Statements provides additional detail of the change in borrowings including cash and non-cash related items for the three and nine months ended May 31, 2022 and 2021.

**Outstanding share data**

The authorized capital of CIBT consists of 150,000,000 common shares without par value. At July 11, 2022, the following common shares, stock options, and convertible debenture conversion options were outstanding:

	Number of shares	Exercise price	Remaining life (Years)
Common shares	68,460,740	-	-
Stock options	4,665,000	\$0.44 - \$0.78	0.06 – 4.87
Convertible debentures <sup>(1)</sup>	7,247,269	\$0.80 - \$0.81	0.37
Fully diluted	80,373,009		

<sup>(1)</sup> Convertible debentures originally issued in May 2019 and February 2020. Exercise prices denominated in HKD have been converted into Canadian dollars.

**Treasury shares**

In March 2022, the Company received approval from the TSX to commence a new NCIB (the "2022 NCIB") to purchase up to 3,423,000 of the Company's previously issued common shares, subject to daily limits, from March 21, 2022 to March 20, 2023, to a maximum aggregate acquisition cost of \$3,000. In March 2021, the Company received approval from the TSX to commence a normal course issuer bid (the "2021 NCIB") to purchase up to 3,556,000 of the Company's previously issued common shares, subject to daily limits, from March 17, 2021 to March 16, 2022, to a maximum aggregate acquisition cost of \$3,556.

During the nine months ended May 31, 2022, the Company repurchased 1,562,100 previously issued common shares at a cost of \$1,009, including 1,310,500 under the 2021 NCIB at a cost of \$855, and cancelled 1,517,500 common shares, leaving 251,600 common shares held in treasury at May 31, 2022. From July 1, 2022 to the latest practicable date, the Company repurchased 173,700 common shares under the 2022 NCIB leaving 425,300 common shares held in treasury under the 2022 NCIB.

## Financial Instruments and Financial Risk Management

A description of the Company's financial instruments and financial risks that the Company is exposed to and management of these risks can be found in Notes 21 and 22, respectively, of the Annual Financial Statements. In addition, information on the valuation and sensitivity analysis associated with investment properties is described in Note 5(b) to the Annual Financial Statements. There were no significant changes in the Company's exposure to those risks during the nine months ended May 31, 2022, except as follows.

### *Liquidity Risk – Contractual Obligations*

At August 31, 2021, information about contractual obligations, borrowings and real estate commitments are presented in the Annual MD&A under *Liquidity and Capital Resources*. Changes to commitments in the three and nine months ended May 31, 2022 impacting liquidity not already disclosed in the sections referenced above include:

- The Company refinanced borrowings or extended the maturity dates for several of its secured mortgages associated with its real estate limited partnerships. During the nine months ended May 31, 2022, additional principal amounts of \$13,329 were funded which included draws against the construction loan for GEC® King Edward. Excluding the construction loan, net funding after interest reserves and finance fees was \$1,656. As a result of financing activities at May 31, 2022, total commitments for principal and interest over the terms of the modified loans, excluding the draws under the construction loan, has increased by approximately \$7,000. Maturity dates of secured loans range from June 2022 to March 2023.
- In December 2021, convertible promissory notes with principal balances of \$14,427 and remaining contractual undiscounted cash flows of \$15,242 at August 31, 2021 were converted into units of one of the real estate limited partnerships controlled by the Company and as such the principal amount of these notes was not required to be repaid and was derecognized which decreased the working capital deficit. Interest of \$727 was paid on conversion of the notes.
- In April 2022, the maturity date of the \$2,000 corporate bond was extended by one year to April 2023. The holder may request repayment of amounts due under the bond with 60-days prior notice.

The Company continues to secure financing as loans mature and subsequent to May 31, 2022, the maturity date for one of the secured mortgages was extended. In July 2022, the Company executed a commitment letter to refinance borrowings for one of the real estate limited partnerships with a portion of the proceeds of the new loan to be used to repay the previous loan with a principal balance of \$5,000. When funded, commitments for principal and interest over the loan term are estimated to be approximately \$14,000.

### *Liquidity Risk – Real Estate Projects*

At May 31, 2022, total remaining cost to complete GEC® King Edward are estimated to be \$6,140 compared to the estimate of \$12,888 at August 31, 2021, which was expected to be incurred within one year from that date. The remaining costs to complete decrease as construction costs are incurred, offset by change orders for additional work. Costs are expected to be incurred until late fall of 2022 coinciding with the completion of the project. There were no new real estate agreements or amendments to agreements during the nine months ended May 31, 2022.

## TRANSACTIONS BETWEEN RELATED PARTIES

The Company's related parties include its subsidiaries, associates over which it exercises significant influence, and key management personnel and directors. Amounts paid to related parties were incurred in the normal course of operations and measured at the amount exchanged. At May 31, 2022, key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole, which includes Toby Chu, its president and chief executive officer, and Hilbert Ng, its chief financial officer.

During the three and nine months ended May 31, 2022, the Company and its subsidiaries incurred a total of \$276 and \$797 (three and nine months ended May 31, 2021 - \$379 and \$1,137) for management fees and salaries paid to certain directors and officers employed by the Company and its subsidiaries. Total remuneration for key management personnel also includes share-based compensation and post-employment benefits which were nominal in all periods.

At May 31, 2022, amounts owing to directors and officers of the Company were \$61 (August 31, 2021 - \$692). At May 31, 2022, amounts owing to the president of IRIX for previous advances amounted to \$119 (August 31, 2021 - \$109) which have no fixed terms of repayment and bear interest at 6% per annum.

**NON-GAAP FINANCIAL PERFORMANCE MEASURES**

The non-IFRS financial measures appearing in this MD&A do not have standardized meanings prescribed by IFRS and are therefore unlikely to be directly comparable to similar measurements presented by other issuers. These performance measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. These non-IFRS measures should be read in conjunction with the Annual Financial Statements.

**EBITDA and Adjusted EBITDA**

Management uses EBITDA metrics to measure the profit trends of the business units and segments in the consolidated group since it eliminates the effects of financing decisions. Management has presented Adjusted EBITDA which excludes the net gain or loss recognized on fair value changes on investment properties under the fair value model and adjusts the net gain or loss recognized on fair value changes in embedded derivatives associated with certain financial liabilities. These amounts represent the appreciation in value of investment properties as determined by external independent qualified appraisers. At the end of each period, the Company adjusts the carrying value of its investment properties to fair value taking into consideration such valuations and other market conditions. While recognized gains are not realized until the investment property is sold, these amounts reflect current period changes in the value of the Company's real estate portfolio. The most directly comparable financial measure disclosed in the Q3 2022 Financial Statements is net income.

<i>Presented in thousands of Canadian dollars</i>	<b>Q3 2022</b>	<b>Q3 2021</b>	<b>YTD Q3 2022</b>	<b>YTD Q3 2021</b>
Net income (loss)	56	(1,320)	128	6,289
Deduct: interest income <sup>(1)</sup>	(320)	(954)	(648)	(2,739)
Add: interest expense	3,016	3,184	9,472	9,105
Add: income tax expense (recovery)	55	(339)	95	816
Add: depreciation and amortization	1,729	1,655	4,895	5,000
<b>EBITDA [non-IFRS]</b>	<b>4,536</b>	<b>2,226</b>	<b>13,942</b>	<b>18,471</b>
Add loss / deduct (gain) on changes in fair value of investment properties	507	298	1,493	(8,779)
Add loss /deduct (gain) on derivatives, net	(186)	976	(471)	1,055
<b>Adjusted EBITDA [non-IFRS]</b>	<b>4,857</b>	<b>3,500</b>	<b>14,964</b>	<b>10,747</b>

<sup>(1)</sup> Interest income not associated with operations.

**Book value per Share**

BVPS measures the amount of Company equity in each share and focuses on the balance sheet at a certain date. The general trend of the number suggests how effective management is at increasing shareholder equity. BVPS is calculated as equity attributable to CIBT shareholders divided by total common shares outstanding at the end of the reporting period. The book value of the common equity, which is the most directly comparable financial measure disclosed in the Q3 2022 Financial Statements, reflects the original proceeds received from issuing common equity, increased by earnings, or decreased by losses.

	<b>May 31, 2022</b>	<b>August 31, 2021</b>	<b>May 31, 2021</b>
Equity attributable to CIBT Shareholders (book value)	\$ 43,678	\$ 50,797	\$ 55,903
Total common shares outstanding at period end	68,460,740	69,978,240	72,426,340
<b>BVPS</b>	<b>\$ 0.64</b>	<b>\$ 0.73</b>	<b>\$ 0.77</b>

**Financial measures - gross profit and gross margin**

Gross profit for the Company is the difference between revenue and direct cost of sales, and gross margin for each business unit reported is gross profit divided by revenue, expressed as a percentage.

## **ACCOUNTING MATTERS**

### **BASIS OF PRESENTATION AND ACCOUNTING POLICIES**

The unaudited condensed consolidated interim financial statements include the accounts of CIBT, the ultimate parent company of the 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 under IFRS as issued by the IASB have been condensed or omitted. Accordingly, the 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, 2021.

The Company's interim results are not necessarily indicative of its results for a full year. All amounts are expressed in thousands of Canadian dollars except per share and share amounts or unless otherwise noted.

The accounting policies applied in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those applied and disclosed in Note 28 of the Company’s audited consolidated financial statements for the year ended August 31, 2021.

### **CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

In preparing these consolidated financial statements, management has made judgements and estimates that affect the application of the Company’s accounting policies and the amounts reported and disclosed in the consolidated financial statements and related notes. Critical accounting estimates represent estimates that are uncertain, and for which changes in those estimates could materially impact the consolidated financial statements. In preparing the Company’s unaudited condensed consolidated interim financial statements for the three and nine months ended May 31, 2022, the Company applied the critical judgements and estimates, including significant areas of estimation uncertainty in applying these policies, disclosed in Note 3 of the Company’s audited consolidated financial statements for the year ended August 31, 2021.

### **ACCOUNTING STANDARDS DEVELOPMENT**

There were no accounting changes adopted by the Company in the three and nine months ended May 31, 2022. The impact of future accounting changes applicable to the Company of standards which are issued but not yet effective until a future date is disclosed in Note 4(b) to consolidated financial statements for the year ended August 31, 2021. The listing includes those standards and interpretations issued that the Company reasonably expects to be applicable to the Company at a future date. The Company intends to adopt these standards when they become effective. The Company has not early adopted any amendment, standard or interpretation that has been issued by the IASB but is not yet effective.

### **OFF-BALANCE SHEET ARRANGEMENTS**

Various forms of security, in addition to a mortgage over lands, have been granted by the relevant limited partnerships and by the Company and certain of its other subsidiaries in favour of arm’s length lenders in connection with the student housing projects. The security granted gives the lenders a comprehensive level of protection against a default by the borrower in the performance of its obligations including the repayment of the indebtedness and interest thereon.

### **DISCLOSURE CONTROLS AND PROCEDURES & INTERNAL CONTROLS OVER FINANCIAL REPORTING**

Management is responsible for establishing and maintaining adequate internal control over financial reporting and disclosure controls and procedures. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. There have been no changes in the Company's internal controls over financial reporting or disclosure controls and procedures during the three and nine months ended May 31, 2022, that have materially affected, or are reasonably likely to have materially affected, the Company's internal controls over financial reporting.

## RISKS RELATED TO THE COMPANY'S BUSINESS

The Company's business, financial condition, operating results and prospects are subject to several risks and uncertainties which include but are not limited to those below as well as those specified elsewhere in this MD&A. A more detailed description of certain of the risks and uncertainties can be found under the heading "Risk Factors" in the Company's annual information form for Fiscal 2021 filed under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com). See also above under "Forward-Looking Information."

- the performance of the real estate business depends on fluctuation of real estate prices
- risks related to real estate project developments generally include construction delays due to factors including permit issuance, construction costs and construction labour market shortages
- rezoning process risk due to delays in permit approval, issuance, design changes or use of property may result in substantial cost increases
- construction delays, cost overruns and exchange rate fluctuation on construction materials will impact the cost of construction
- the Company's dependence upon third parties in respect of the construction of its real estate projects
- lending sentiment by construction lenders may impact the cost of mortgage financing
- the financial stability of parties involved in the construction of the Company's real estate projects
- although the general partners of the Company's real estate limited partnerships are subsidiaries of the Company, they are required to act in good faith towards all of the limited partners which may result in decisions that are not beneficial to CIBT
- the Company's ability to repay or refinance debt obligations and to fund committed capital expenditures will depend on certain financial, business and other factors and significant interest rate increases will affect financial performance
- the inability of any of the Company's limited partnerships to repay loans guaranteed by the Company or its subsidiaries could have a significant effect on the Company's financial performance
- increased competition in the sectors in which the Company has investments
- need for additional capital to complete acquisitions and expand operations and ability to manage planned growth and integrate new business opportunities into existing operations
- dependence on key personnel, the Company's facility providers and educational service providers
- ability to compete effectively with competitors that have greater financial, marketing and other resources
- increases in the frequency and severity of extreme weather events, such as wildfires and snowstorms, could impact travel demand in British Columbia and lead to supply chain interruptions
- shift in consumer preferences towards sustainable products may affect the occupancy of our hotel accommodation
- risks involving the Chinese legal system, tax system, and foreign currency limitation
- the possibility that personal information that the Company collects may be vulnerable to breach, theft or loss, which could subject the Company to liability or adversely affect its reputation and operations
- the Company stores significant amounts of information from various business activities on cloud servers which may be susceptible to cyber threats. There is also a heavy dependency on online digital platforms like websites, student enrollment software, and tenant booking software. A cyber breach would bring significant impact and downtime to the Company's ability to offer its products and services.
- risks related to government regulations and obtaining required approvals
- government policy relating to rent control may affect rental income
- government policy relating to foreign investment may affect investor sentiment
- compliance with rules and requirements applicable to public companies may cause the Company to incur increased costs
- COVID-19 may again disrupt providing certain education offerings to international students which may impact revenues
- COVID-19 may result in adverse economic conditions, including disruptions in the financial markets, which could adversely affect the Company's business and its ability to secure financing
- although there are currently no disruptions to the Company's operations resulting from Russia's invasion of Ukraine and the ensuing military conflict, the conflict has resulted in volatility in financial markets making the availability and cost of funds increasingly difficult to project