

April 26, 2016

CIBT Education Group Inc. (TSX: MBA) – Reports strong revenue and EBITDA growth in Q2

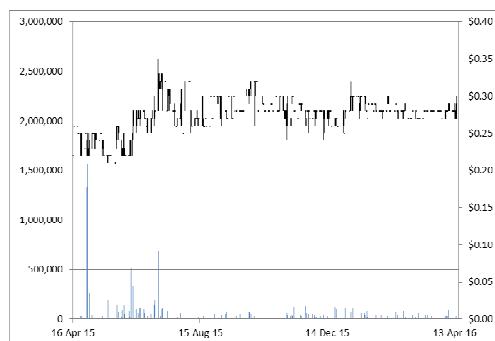
Sector/Industry: Education Services

www.cibt.net

Market Data (as of April 26, 2016)

Current Price	C\$0.29
Fair Value	C\$0.80
Rating*	BUY
Risk*	3
52 Week Range	C\$0.20 - C\$0.35
Shares O/S	68.83 mm
Market Cap	C\$19.96 mm
Current Yield	N/A
P/E (forward)	4.6x
P/B	0.9x
YoY Return	26.1%
YoY TSX	-10.5%

*See back of report for rating and risk definitions



Highlights

- Revenues in Q2-2016 (quarter ended February 29, 2016) increased by 18% YOY to \$9.77 million and were in line with our expectations. Six month revenues were up by 24% YOY to \$19.14 million.
- EBITDA was up by 181% YOY to \$1.21 million in Q2.
- The company, along with third-party investment partners, acquired two operating hotels in downtown Vancouver in 2015, with the objective of converting the two hotels to student housing.
- Phases 1A and 1B of the renovation of the first hotel were completed in July 2015, and January 2016, respectively, and 110 beds were made available for rental. Currently, all of these beds are occupied. In Q2-2016 (quarter ended February 29, 2016), this project generated \$0.31 million in rental revenues. Phase 2 is expected to be completed by Fall 2016, to add an additional 110 beds.
- Renovation of the second hotel is expected to be complete by July 2016. This hotel is expected to generate \$0.87 million in rental revenues by Q3-2016.
- CIBT is also making good progress on the other projects under development within the Greater Vancouver Area.
- We expect several catalysts for CIBT's shares this year as the company continues to advance its projects.

Key Financial Data

(in C\$); YE - Aug 31	2013	2014	2015	2016E	2017E
Revenues	30,747,561	30,916,154	32,178,951	38,748,491	45,176,936
EBITDA	(1,986,876)	(1,183,601)	691,627	3,779,226	8,082,921
EBITDA Margin	-6.5%	-3.8%	2.1%	9.8%	17.9%
Net Income	(1,585,090)	5,312,961	6,000,774	5,260,751	3,208,761
EPS (Basic)	(0.02)	0.08	0.09	0.08	0.05
Debt to Capital	20.9%	14.1%	44.0%	62.3%	70.0%
ROE	-10.0%	27.8%	20.1%	20.1%	8.5%

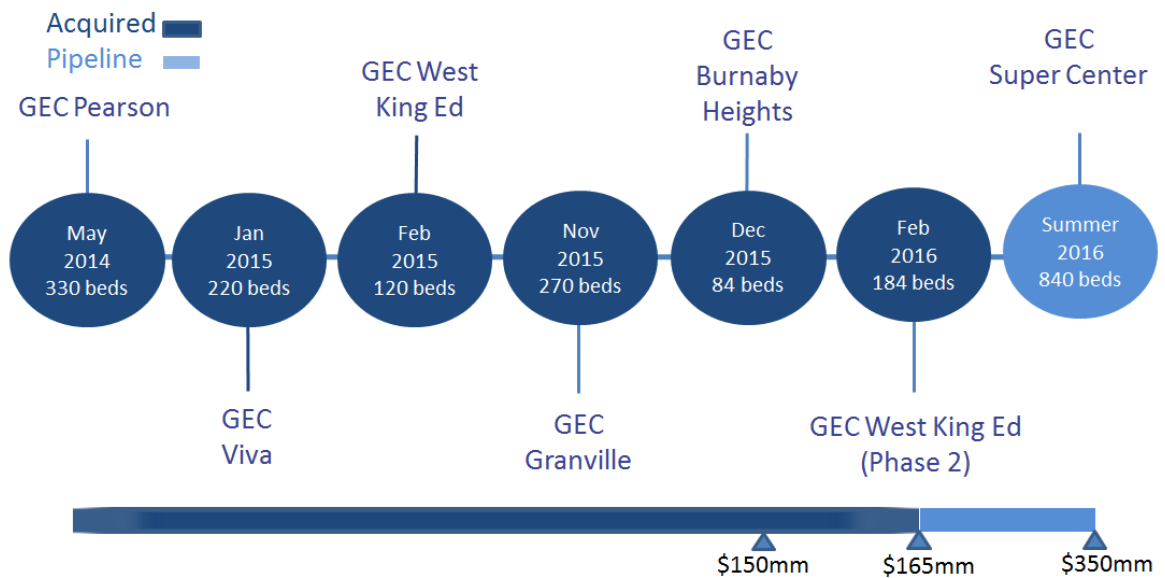
*The net profit / loss figures include CIBT's share of the net profit / loss and non-controlling interests.

Update on Global Education City (GEC)

Management’s goal over the next five years is to build a portfolio of student housing projects offering 10,000 beds for a total projected valuation of \$1 billion. Their strategy is to build a portfolio of stable cash flowing assets and potentially sell to institutional investors, or spin off the assets via an Initial Public Offering (“IPO”) to generate long-term returns for CIBT shareholders.

An increasing number of international students, and the high-demand for affordable student housing in Vancouver, prompted the company to move into this space, and capitalize on their over 21 years of experience in Education Management. CIBT’s business plan is to partner with third-party investors to jointly acquire operating assets or develop / construct student housing projects. CIBT generates revenues by charging an upfront structuring fee of approximately \$1 - \$2 million, and an ongoing annual management fee of approximately 8% of the gross income to the Limited Partnerships. CIBT will use the structuring fee to earn up to a 25% equity in each project.

The following chart shows the acquisitions made by CIBT and its partners via Limited Partnership arrangements:

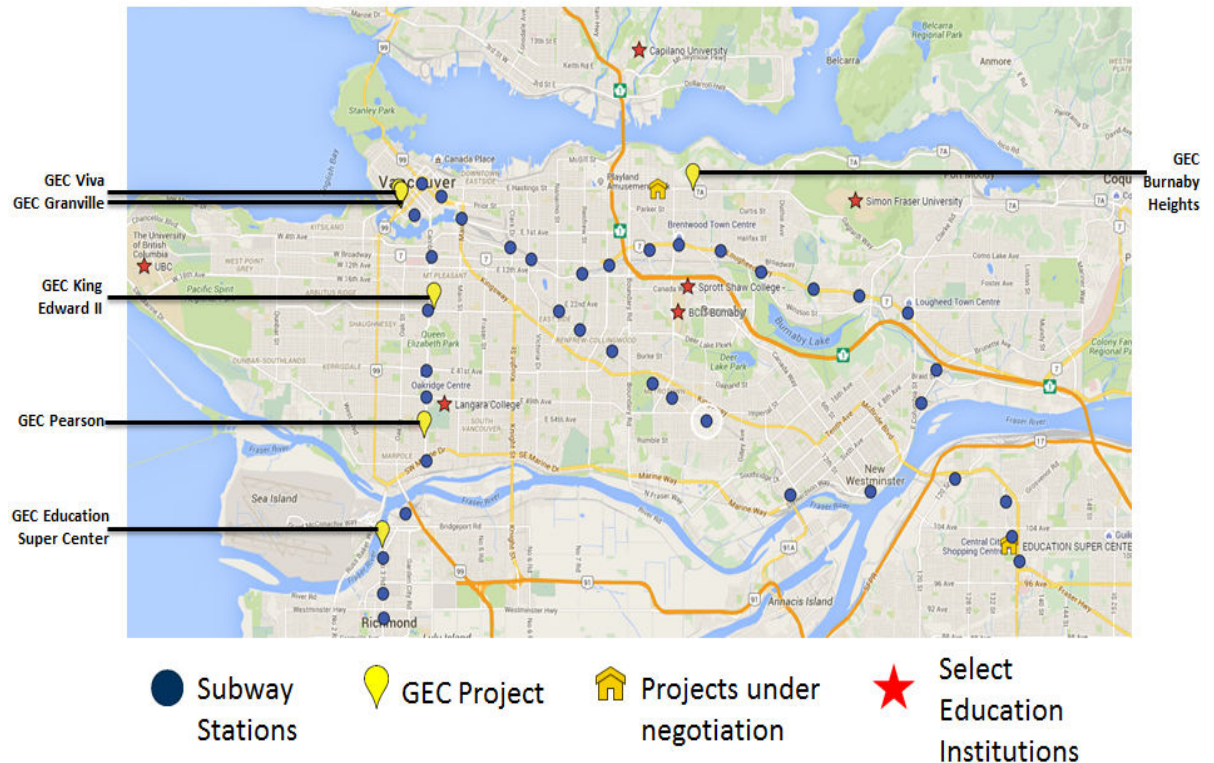


Source: Company

The table below shows a summary of the acquired projects and the projects under development, including management projections.

	Viva	Granville	Burnaby Heights	Pearson	West King Edward II	Education Super Center	Total
Projected Annual Rental Income (Management Est.)	\$3,400,000	\$3,200,000	\$1,300,000	\$4,400,000	\$2,600,000	\$15,300,000	\$30,200,000
CIBT Ownership	20.0%	20.0%	25.0%	38.5%	21.0%	20.0%	
CIBT Management Fee	8%	8%	8%	8%	8%	8%	
Purchase Price / Construction Costs	\$29.5M / \$6.5M	\$38M / \$0.5M	\$20.5M	\$43.8M	\$30.1M	\$170M	\$339M
Beds	220	270	84	310	184	840	1,908
Status	Operational	Operational	Under Construction (perational by Fall 2016)	Under Construction (operational by Jan 2017)	Under Development (operational by July 2018)	In Planning Stages (expected completion in fall 2019)	

The map below shows the strategic locations of the properties within Greater Vancouver.



Source: Company

Viva

The following section presents an overview of the assets:

CIBT partnered with an investor to jointly acquire Viva Suites Hotel (“Viva”), located in downtown Vancouver (within the core of the City of Vancouver), for \$29.6 million in 2015. CIBT is now converting the luxury hotel into a building with up to 220 beds targeting students. Phases 1A and 1B of the renovation were completed in July 2015, and January 2016, respectively, and 110 beds were made available for rental. Currently, all of these beds are occupied.



Source: Company

Granville

In Q2-2016 (quarter ended February 29, 2016), this project generated \$0.31 million in revenues versus \$0.34 million in the previous quarter. Revenues dropped QOQ because the commercial office units from floors 2 - 7 were vacated for renovation. **Phase 2 is expected to be completed by Fall 2016, to add an additional 110 beds.**

Management estimates a Net Operating Income (“NOI”) of \$2.4 million upon completion of the renovation. **A cap rate of 4.5% will result in a valuation of approximately \$53 million, indicating strong potential for capital gains** as the total project cost including the purchase price and renovation cost is approximately \$36 million. Our research indicates that capitalization rates of rental properties in the area range between 3% and 5%.

In November 2015, CIBT structured a limited partnership to acquire a 19 year old operating hotel (Best Western Plus) located in downtown Vancouver for approximately \$38 million. Just like Viva, management plans to convert this hotel into student housing for approximately 270 beds. The 12 storey building has a White Spot Restaurant in the ground floor, a conference room facility, Jacuzzi, fitness center and other hotel amenities.

The company expects to complete renovations by July 2016. Management estimates a Net Operating Income (“NOI”) of \$2.6 million upon completion of the renovation. **A cap rate of 4.5% will result in a valuation of approximately \$58 million, much higher than the purchase price.**

Burnaby Heights

In December 2015, CIBT announced that it signed a purchase and sale agreement with a developer to purchase a condominium project in Metro Vancouver that is currently under construction, with an estimated total cost of approximately \$21 million. The location of this project is in close proximity to Simon Fraser University, Capilano University, the British Columbia Institute of Technology, and Sprott Shaw College East Vancouver Campus. Management expects this 84 bed project to be completed by Fall 2016. In March 2016, the company announced that the LP associated with this project completed a \$6 million financing.

Pearson

In May 2014, CIBT signed a Purchase and Sale Agreement with a Vancouver based developer to purchase three properties in the Greater Vancouver area. The project site is 5 minutes walking distance from the nearest subway (skytrain) station at the corner of Marine S.W Drive and Cambie street. The project is expected to have a housing capacity for 310 students. The expected development budget of the project is \$44 million. This project is currently under development and management expects it to be operational by January 2017.

West King Edward

In May 2015, CIBT signed a Purchase and Sale Agreement with a Vancouver developer to acquire two properties that are centrally located in Vancouver, approximately 300 feet from a Skytrain / Subway station located at the corner of West King Edward Ave and Cambie Street. On February 9, 2016, CIBT announced that the company has expanded its previously signed Purchase and Sale Agreement to include a third lot. The project is now expected to be comprised of 46,000 net rentable square feet. The total project cost is approximately \$30 million. Three independent investors have been brought in to fund this

Education Super Center

development. CIBT will earn a structuring fee (which they will use to acquire up to 21% equity in the project) and a 20 year management contract.

No updates were provided on the company’s flagship project. In June 2015, the company announced that it signed a MOU (memorandum of understanding) with a developer (name undisclosed) to jointly develop the Education Super Center. The project site, owned by the developer, is a 2.51 acre waterfront property in Greater Vancouver. The plan is to rezone and develop the property into one office tower and two hotels (student housing) totaling approximately 327,000 sq. ft.

The total projected development cost of the project is \$170 million, of which, 70% is expected to be funded by debt. CIBT and the developer are planning to raise the remaining 30% (approximately \$50 million) through equity, with the formation of a new limited partnership, in which CIBT will hold a 20% equity interest.

The total cost of the above mentioned five projects, excluding the Education Super Center, is approximately \$170 million. Management expects to have approximately 1,000 beds from five projects by the end of 2016.

Revenues up by 18% YOY in Q2

In Q2-2016, revenues increased by 18% YOY to \$9.77 million. The table below summarizes the company’s key divisions and their revenues.

	Q2-2015	Q2-2016	YOY	2015 (6M)	2016 (6M)	YOY
SSC + Ascenda						
Revenues	6,133,196	6,286,539	2.5%	12,244,766	12,600,784	2.9%
Gross Margins	61.99%	57.94%		60.82%	57.73%	
CIBT						
Revenues	639,525	657,842	2.9%	1,246,582	1,402,724	12.5%
Gross Margins	43.59%	44.34%		41.87%	45.36%	
IRIX						
Revenues	219,584	243,043	10.7%	520,045	467,866	-10.0%
Gross Margins	77.65%	74.80%		72.32%	74.76%	
Commissions + Referral Fees						
Revenues	101,323	90,912	-10.3%	206,211	386,519	87.4%
Gross Margins	28.40%	27.94%		32.50%	21.07%	
Global Education City						
Revenues (rental)	81,569	314,698	285.8%	81,569	656,485	704.8%
Gross Margins	6.67%	21.46%		6.67%	31.50%	
Global Education City						
Development fees	1,132,320	2,181,732	92.7%	1,132,320	3,624,808	220.1%
Overall Revenues	8,307,517	9,774,766	17.7%	15,431,493	19,139,186	24.0%
Overall Gross Margins	65.22%	65.38%		61.88%	63.61%	

Sprott Shaw College (“SSC”) and Ascenda School of Management (“ASM”) - SSC and ASM’s revenues increased by 2.5% YOY, and accounted for 64% of the company’s revenues in Q2. In December 2015, the company signed an agreement to sell ASM for \$5 million. ASM was acquired for approximately \$1 million in 2007. Ascenda has 160 students, and had generated \$2.8 million in revenues, and \$0.29 million in EBITDA, in FY2015. The transaction is expected to be completed by May 2016.

CIBT China - Over the past few years, due to the increasing competition in the private degree programs space, CIBT has been phasing out its programs in China. Its renewed focus is on lower tuition-fee mass market programs, such as career training programs related to business, hotel and tourism management, information technology, automotive training, English language training, etc. **In Q2-2016, revenues increased by 2.9% YOY to \$0.66 million due to increased demand for ESL programs.** Revenues were up by 12.5% YOY in the six month period to \$1.40 million.

Global Education City – The company started reporting rental revenues from the Viva project in FY2015. In FY2015, they reported \$0.65 million with a gross margin of 25.9%. In Q2-2016, revenues were \$0.31 million (\$0.34 million in Q1), with a gross margin of 21% (41% in Q1). Revenues and margins dropped QOQ in Q2 because most the office spaces were vacated in preparation for renovation and conversion. Our discussions with management indicated that the budget for the phase 2 renovation is estimated to be \$2.7 million, which is within the total budget for the renovation of the building.

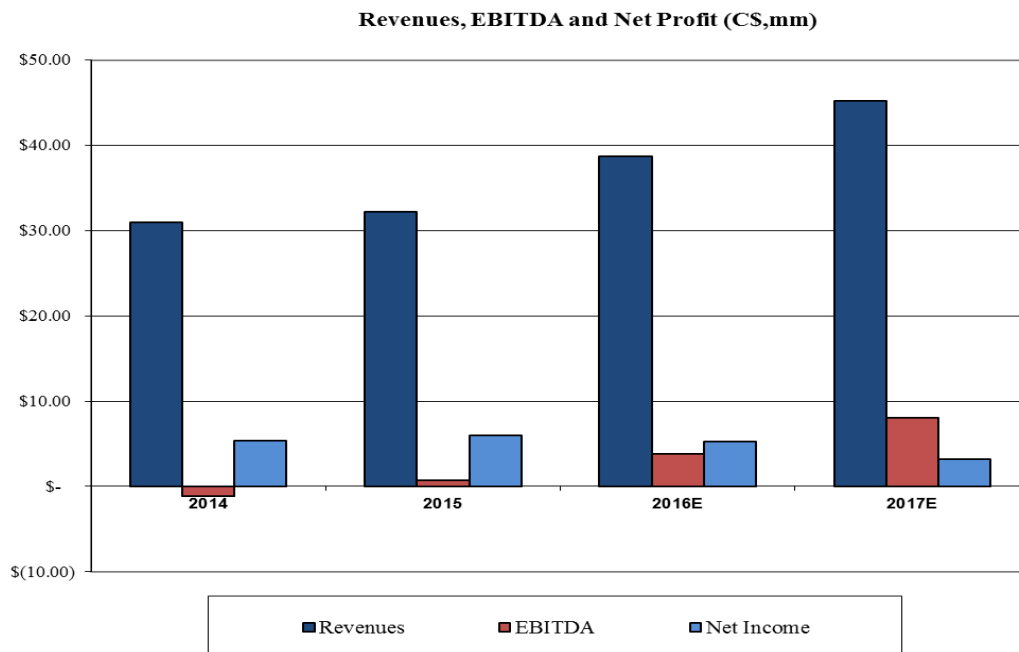
We have not made any significant changes to our revenue forecasts. Our revenue forecasts for FY2016, and FY2017, are \$38.75 million (previous estimate - \$38.10 million) and \$45.18 million (previous estimate - \$44.97 million), respectively.

Gross margins increased slightly YOY from 65.2% to 65.4 % in Q2 primarily because of the increase in revenues from development fees. The company currently does not assign any direct costs to revenues from development fees. The following table shows margins:

Margins	Q2-2015	Q2-2016	2015 (6M)	2016 (6M)
Gross	65.2%	65.4%	61.9%	63.6%
EBITDA	5.2%	12.4%	-0.6%	10.8%
EBIT	2.4%	10.0%	-3.6%	8.3%
EBT	41.6%	6.2%	18.1%	5.2%
Net	41.6%	6.2%	18.1%	5.2%

General and administrative (“G&A”) expenses in Q2 increased by 4.4% YOY to \$5.18 million. As a percentage of revenues (excluding the development fee revenues), G&A expenses dropped YOY from 69.1% to 68.2%.

EBITDA was \$1.21 million in Q2-2016, versus \$0.43 million in Q2-2015. **In the six month period, EBITDA was up from -\$0.09 million to \$2.06 million.** The following chart shows a summary of the operating performance since 2014.



The company reported net income of \$0.60 million (EPS: \$0.01) in Q2-2016, versus a normalized net income of \$0.17 million (EPS: \$0.00) in Q2-2015. After deducting non controlling interest, the company reported net income of \$0.86 million (EPS: \$0.02) in Q2-2016, versus \$1.02 million (EPS: \$0.02) in Q2-2015.

Our revised net profit forecast (minor changes from previous) for FY2016 is \$5.26 million (EPS: \$0.08), and for FY2017 is \$3.21 million (EPS: \$0.05). Our FY2016 forecast includes a gain of \$3.76 million from the sale of ASM. We have not included any potential gain in property valuations, for conservatism.

Cash Flows

The following table shows a summary of the company’s cash flows:

Balance Sheet

Summary of Cash Flows		
(C\$, mm)	2015 (6M)	2016 (6M)
Operating	\$1.50	-\$0.81
Investing	-\$30.77	-\$3.93
Financing	\$27.93	\$4.74
Effects of Exchange Rate	-\$0.10	\$0.00
Net	-\$1.44	\$0.00
Free Cash Flows to Firm (FCF)	-\$29.24	-\$5.36

Free cash flows (“FCF”) were -\$5.36 million in the six month period in FY2016, versus -\$29.24 million in the same time period in the previous year.

At the end of Q2-2016, the company had \$3.91 million in cash. Working capital and the current ratio were -\$35.25 million and 0.3x, respectively. The working capital deficit was mainly due to the Viva take-out loan of \$25 million being a current portion of long-term debt, which is not a normal current liabilities item. The company also had \$11 million in deferred revenues. The company will be replacing the Viva take-out loan with a long-term (25 or 30 year) mortgage shortly, which will improve the company’s working capital position.

Debt to capital increased from 44% at the end of FY2015, to 49% by the end of Q2-2016.

The following table shows the company’s cash and liquidity position.

Liquidity & Capital Structure (C\$)	2014A	2015A	Q1-2016	Q2-2016
Cash	\$5,022,012	\$2,514,195	\$923,008	\$3,907,539
Working Capital	-\$3,780,054	-\$31,466,726	-\$32,444,480	-\$35,252,661
Current Ratio	0.78	0.27	0.29	0.34
Debt/Capital	14.08%	43.97%	44.92%	48.53%
EBIT Interest Coverage	(19.3)	(0.5)	2.7	20.2

Stock Options and Warrants

The company currently has 2.23 million options (weighted average exercise price – \$0.24), and 2.79 million warrants (weighted average exercise price – \$0.29) outstanding. Approximately 2.24 million options and 0.34 million warrants are currently in the money.

Valuation and Rating

The following table shows our valuation of the company’s student housing division, assuming a 20% average equity interest in the projects. For our analysis, we used the average valuation metrics of comparable companies with portfolios of student housing projects.

	Ticker	EV / Revenue	EV / EBITDA	P / B
CHC Student Housing	TSXV: CHC	12.20		0.30
American Campus Communities	NYSE: ACC	10.80	22.10	1.60
Campus Crest Communities (acquired in March 2016)	NYSE: CCG	9.50	31.60	1.00
Education Realty Trust	NYSE: EDR	12.40	28.00	1.80
Average		11.23	27.23	1.18

	Projected Annual Revenues	Projected EBITDA	Projected Book Value
\$, millions	\$30.20	\$12.40	\$67.80
	(management est.)	(based on a peer average EBITDA margin of 45%)	20% of the est. budget of \$339M
Fair Value of 20% Equity (\$, millions)	\$13.56	\$13.32	\$15.93
Average (\$, millions)	\$14.27		

Our Discounted Cash Flow (“DCF”) valuation of the Education Management business is \$34.84 million, or \$0.50 per share (previously \$0.49 per share). Applying the industry average EV (enterprise value) to revenue ratio of 1.5x to our FY2016 revenue forecasts, we estimate that the Education Management business should be valued at \$43.86 million, or \$0.63 per share (previously \$0.61 per share).

The following table shows a summary of our valuations on the Education Management and the Student Housing divisions.

Valuation	Fair Value	Fair Value per Share
Education Management		
* Discounted Cash Flow @ 10%	\$34,836,988	\$0.50
* EV / Revenue @ 1.5x	\$43,856,703	\$0.63
Average	\$39,346,845	\$0.57
Student Housing (GEC)		
	\$14,270,679	\$0.21
Fair Value Estimate	\$53,617,524	\$0.77

We reiterate our BUY rating and raise our fair value estimate from \$0.76 to \$0.80 per share (risk rating of 3 - average).

Risks

The following risks may cause our estimates to differ from actual results (not exhaustive):

- Competition in the private education business in Canada is high.
- Real estate development and financing risks associated with GEC.
- The company's profitability is highly dependent on the health of the student housing real estate market in the Greater Vancouver area.
- Although the company has been able to pursue cheap acquisitions in the past, there is no guarantee they would be able to continue to do so going forward.
- Exchange rate risks exist, but are not significant as revenues from China account for less than 10% of the total revenues.
- Although topline (revenue) growth has been significant, the company has yet to achieve a track record of profitability.

Appendix

CONSOLIDATED STATEMENTS OF OPERATIONS				
(in C\$)				
FY2005 (YE - Dec 31); FY2006-07 (YE - Jun 30); FY2008-11 (YE - Jun 30)	2014A	2015A	2016F	2017F
REVENUES				
Educational CIBT	27,590,311	27,248,686	27,485,570	26,147,137
Rental		647,046	2,885,881	9,225,000
Commissions + Referral Fees	843,022	619,077	637,649	656,779
Design and advertising IRIX	860,989	1,082,119	1,114,583	1,148,020
Development fees	1,621,832	2,582,023	6,624,808	8,000,000
Total Revenues	30,916,154	32,178,951	38,748,491	45,176,936
DIRECT COSTS				
Educational CIBT	11,132,629	11,006,541	11,873,033	10,640,648
Commissions + Referral Fees	407,655	250,400	478,237	262,712
Rental	-	479,257	2,020,117	5,073,750
Design and advertising IRIX	174,759	309,689	276,416	284,709
Development fees	459,586			
Total Direct Costs	12,174,629	12,045,887	14,647,803	16,261,818
Gross Profit	18,741,525	20,133,064	24,100,687	28,915,118
EXPENSES				
Stock-based compensation	15,992	15,909	19,157	22,335
General and administrative	19,729,134	19,335,528	20,302,304	20,809,862
Business development costs	180,000	90,000		
Total Expenses	19,925,126	19,441,437	20,321,461	20,832,197
EBITDA	(1,183,601)	691,627	3,779,226	8,082,921
Amortization	1,101,531	979,534	1,099,117	1,060,985
EBIT	(2,285,132)	(287,907)	2,680,110	7,021,935
Interest / Finance Cost	(118,438)	(556,106)	(1,183,754)	(3,813,175)
Interest Income	135,445	38,972		
Foreign exchange (loss) gain	98,720	227,728		
Loss on disposal of property, plant and equipment	(52,007)	(65,332)	-	-
EBT	(2,221,412)	(642,645)	1,496,356	3,208,761
Loss of investment in Associates		(9,360)		
Gain on Change of Property Fair Value		7,615,175		
Gain on sale of discontinued operations	7,030,395	-	3,764,395	-
Net Profit (Loss) before tax	4,808,983	6,963,170	5,260,751	3,208,761
Taxes	(503,978)	962,396	-	-
Net Profit (Loss)	5,312,961	6,000,774	5,260,751	3,208,761
EPS	0.08	0.09	0.08	0.05
Non-controlling interests	(153,471)	(4,960,754)	(932,708)	(1,208,210)
Net Profit (Loss) to CIBT shareholders	5,159,490	1,040,020	4,328,043	2,000,551
EPS	0.08	0.02	0.06	0.03

CONSOLIDATED BALANCE SHEETS				
(in CS)				
FY2005 (YE - Dec 31);FY2006-07 (YE - Jun 30);FY2008-11	2014A	2015A	2016F	2017F
ASSETS				
CURRENT				
Cash and short-term investments	5,022,012	2,514,195	7,667,173	8,686,706
Accounts receivable	7,323,999	7,975,499	9,191,979	10,716,945
Prepays and other	640,935	714,763	848,898	989,731
Inventory	389,758	441,150	441,150	441,150
Total Current Assets	13,376,704	11,645,607	18,149,200	20,834,532
Due from Related Parties	835,000	735,000	735,000	735,000
Property and Equipment	2,478,150	2,518,789	2,687,037	2,910,241
Intangible Assets	8,521,598	8,472,376	7,922,818	7,392,325
Goodwill	4,793,303	4,793,303	4,403,303	4,403,303
Future Income Tax	2,582,442	2,115,926	2,115,926	2,115,926
Deferred Cur. Dev. Costs & Other Assets	53,483	10,306		
Investment property		38,100,000	103,224,808	200,024,808
Refundable deposits + Investment	8,307,320	11,615,440	13,913,112	13,913,112
Assets held for Sale/Cash held in trust	748,200	660,010	131,963	131,963
Total Assets	41,696,200	80,666,757	153,283,167	252,461,210
LIABILITIES				
CURRENT				
Accounts payable and accrued liabilities	3,819,796	4,726,161	4,761,723	5,286,408
Deferred revenue	9,831,156	10,319,570	16,048,951	18,711,501
Lease obligation + provision	195,959	208,094	168,288	168,288
Income Tax Payable	155,491	176,259	177,822	177,822
Current portion of the long-term debt	450,000	23,675,080	-	-
Refundable deposits				
Due to related parties	2,704,356	4,007,169	5,075,801	5,075,801
Total Current Liabilities	17,156,758	43,112,333	26,232,584	29,419,820
Lease Obligation	508,764	457,416	289,128	120,840
Long-term Debt	-	-	76,263,495	153,703,495
Loan Payable				
Liabilities held for Sale				
Future Income Tax Liabilities	479,918	972,246	972,246	972,246
SHAREHOLDERS EQUITY				
Share capital	48,836,693	49,115,490	49,115,490	49,115,490
Contributed surplus	5,214,064	5,884,084	7,270,997	7,293,332
Accumulated Comprehensive loss	158,247	381,698	381,698	381,698
Non-controlling interests	5,156,637	15,518,351	26,306,261	42,602,471
Deficit	(35,814,881)	(34,774,861)	(33,548,732)	(31,148,181)
Total shareholders' equity (deficiency)	23,550,760	36,124,762	49,525,714	68,244,809
Total Liabilities and Shareholders Equity	41,696,200	80,666,757	153,283,167	252,461,210

CONSOLIDATED STATEMENTS OF CASH FLOWS				
(in C\$)				
	2014A	2015A	2016F	2017F
CASH FLOWS FROM OPERATING ACTIVITIES				
Net Profit (Loss) for the year	5,312,961	6,000,774	5,260,751	3,208,761
Adjusted for items not involving cash:				
- amortization	1,830,410	1,382,852	1,099,117	1,060,985
- stock-based compensation	15,992	15,909	19,157	22,335
- loss on disposal of property, plant and equipment	52,007	65,332	-	-
- (gain) loss on disposal of subsidiaries	(7,030,395)			
-gain from changes in ownership investment interests	-	9,360	(3,764,395)	-
-bad debt provision	100,000			
-development fees	(1,621,832)	(85,390)		
-gain on fair value changes in investment properties		(7,615,175)	-	
-finance fees		418,818		
-future/current income tax provision	(510,931)	958,844		
Funds From Operations	(1,851,788)	1,151,324	2,614,629	4,292,081
Net changes in non-cash working capital items	(2,449,894)	2,096,587	5,482,959	1,521,436
Discontinued Operations				
NET CASH USED IN OPERATING ACTIVITIES	(4,301,682)	3,247,911	8,097,588	5,813,517
CASH FLOWS FROM INVESTING ACTIVITIES				
PP&E	(377,359)	(683,625)	(717,806)	(753,697)
Investment Properties		(289,042)		
Deposits on real estate properties	(1,950,000)	(2,800,000)		
Acquisitions	(411,718)	(29,777,937)	(65,124,808)	(96,800,000)
Disposal of business assets	6,356,931			
Promissory Note Receivables	3,612,639			
Restricted cash	(6,463)	(30,114)		
Funds held in escrow/Cash held in trust	(748,200)			
NET CASH USED IN INVESTING ACTIVITIES	6,475,830	(33,580,718)	(65,842,614)	(97,553,697)
CASH FLOWS FROM FINANCING ACTIVITIES				
Cash from equity and debt issuances	485,752	1,137,952		
Acquisition of the Company's shares into treasury, net	(818,874)	(283,358)	-	-
Advances (to) from related parties	208,758	1,441,003		
Lease obligation repayments	(136,717)	(166,412)	(208,094)	(168,288)
Non controlling interest capital contribution		6,033,200	10,517,683	15,488,000
Non-controlling interest draws	(236,654)	(485,100)	-	-
Loan principal payments	(2,481,495)	(450,000)		
Long-term debt advances		22,756,262	52,588,415	77,440,000
Deferred finance fees	(19,965)	43,177	-	-
NET CASH FROM FINANCING ACTIVITIES	(2,999,195)	30,026,724	62,898,004	92,759,712
Foreign Exchange / Others	(24,143)	(113,515)		
INCREASE IN CASH FOR THE YEAR	(849,190)	(419,598)	5,152,978	1,019,532
CASH, BEGINNING OF THE YEAR	3,555,419	2,706,229	2,514,195	7,667,173
CASH, END OF THE YEAR	2,706,229	2,286,631	7,667,173	8,686,706

Fundamental Research Corp. Equity Rating Scale:

Buy – Annual expected rate of return exceeds 12% or the expected return is commensurate with risk

Hold – Annual expected rate of return is between 5% and 12%

Sell – Annual expected rate of return is below 5% or the expected return is not commensurate with risk

Suspended or Rating N/A— Coverage and ratings suspended until more information can be obtained from the company regarding recent events.

Fundamental Research Corp. Risk Rating Scale:

1 (Low Risk) - The company operates in an industry where it has a strong position (for example a monopoly, high market share etc.) or operates in a regulated industry. The future outlook is stable or positive for the industry. The company generates positive free cash flow and has a history of profitability. The capital structure is conservative with little or no debt.

2 (Below Average Risk) - The company operates in an industry where the fundamentals and outlook are positive. The industry and company are relatively less sensitive to systematic risk than companies with a Risk Rating of 3. The company has a history of profitability and has demonstrated its ability to generate positive free cash flows (though current free cash flow may be negative due to capital investment). The company’s capital structure is conservative with little to modest use of debt.

3 (Average Risk) - The company operates in an industry that has average sensitivity to systematic risk. The industry may be cyclical. Profits and cash flow are sensitive to economic factors although the company has demonstrated its ability to generate positive earnings and cash flow. Debt use is in line with industry averages, and coverage ratios are sufficient.

4 (Speculative) - The company has little or no history of generating earnings or cash flow. Debt use is higher. These companies may be in start-up mode or in a turnaround situation. These companies should be considered speculative.

5 (Highly Speculative) - The company has no history of generating earnings or cash flow. They may operate in a new industry with new, and unproven products. Products may be at the development stage, testing, or seeking regulatory approval. These companies may run into liquidity issues, and may rely on external funding. These stocks are considered highly speculative.

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