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Fundamental Research Corp.
Investment Analysis for Intelligent Investors

August 4, 2017

CIBT Education Group Inc. (TSX: MBA) – 52% YoY Revenue Growth in Q3

Sector/Industry: Education Services **www.cibt.net**

Market Data (as of August 4, 2017)

Current Price	**C$0.76**
Fair Value	**C$1.40**
Rating*	**BUY**
Risk*	**3**
52 Week Range	C$0.40 - C$0.96
Shares O/S	78,235,025
Market Cap	C$59.46 mm
Current Yield	N/A
P/E (forward)	N/A
P/B	1.8x
YoY Return	85.4%
YoY TSX	5.0%

**See back of report for rating and risk definitions*

Highlights

- CIBT Education ("CIBT", "company") closed the acquisition of KGIC Inc.'s assets on March 29, 2017. The company is currently consolidating KGIC's operations with its existing operations. Management maintains their annual revenue target of $25 million from the KGIC schools for FY2018.
- CIBT recently announced the receipt of approval of the Design Panel of the City's planning department to construct the Education Mega Center in downtown Surrey. With an estimated budget of $271 million, the proposed building is expected to be the second tallest building in the Greater Vancouver area.
- A third-party appraisal on the Pearson project showed a valuation of $86.1 million, reflecting a 105% increase over the $42.1 million purchase price. Our preliminary valuation on the project, in our previous report, was $57 million.
- In Q3-2017 (quarter ended May 31, 2017), CIBT's revenues increased by 52% YOY to $12.36 million. Nine-month revenues were up 35% YoY to $36.83 million. Revenue growth came primarily from the strong growth in rental revenues, acquisition of Vancouver International College in 2016, and two months of revenue from the recently acquired KGIC schools.

Key Financial Data (in C$); YE - Aug 31	2014	2015	2016	2017E	2018E
Revenues	30,916,154	32,178,951	36,114,144	48,563,697	68,981,876
EBITDA	(1,183,601)	691,627	(527,312)	3,056,420	14,640,708
EBITDA Margin	-3.8%	2.1%	-1.5%	6.3%	21.2%
Net Income	5,312,961	6,000,774	9,215,414	34,984,724	37,858,102
EPS (Basic)	0.08	0.09	0.13	0.45	0.48
Debt to Capital	14.1%	44.0%	35.6%	45.3%	58.8%
ROE	27.8%	20.1%	17.5%	17.5%	30.4%

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

Consolidation of KGIC assets

Since the completion of KGIC's acquisition, the company eliminated the former headquarters of KGIC in Toronto, and has been aggressively taking initiatives to optimize and streamline operations, and reduce overlapping costs.

KGIC has 18 locations (2,000 students) operating ESL Schools, Career Colleges and Community Colleges in Toronto, Vancouver and Victoria. Management maintains their annual revenue target of $25 million from these schools.

CIBT had closed the acquisition of KGIC Inc's assets on March 29, 2017. The assets were acquired through the acquisition of senior secured debt totaling $12.3 million owed by KGIC Inc. held by a Canadian bank for $3.1 million.

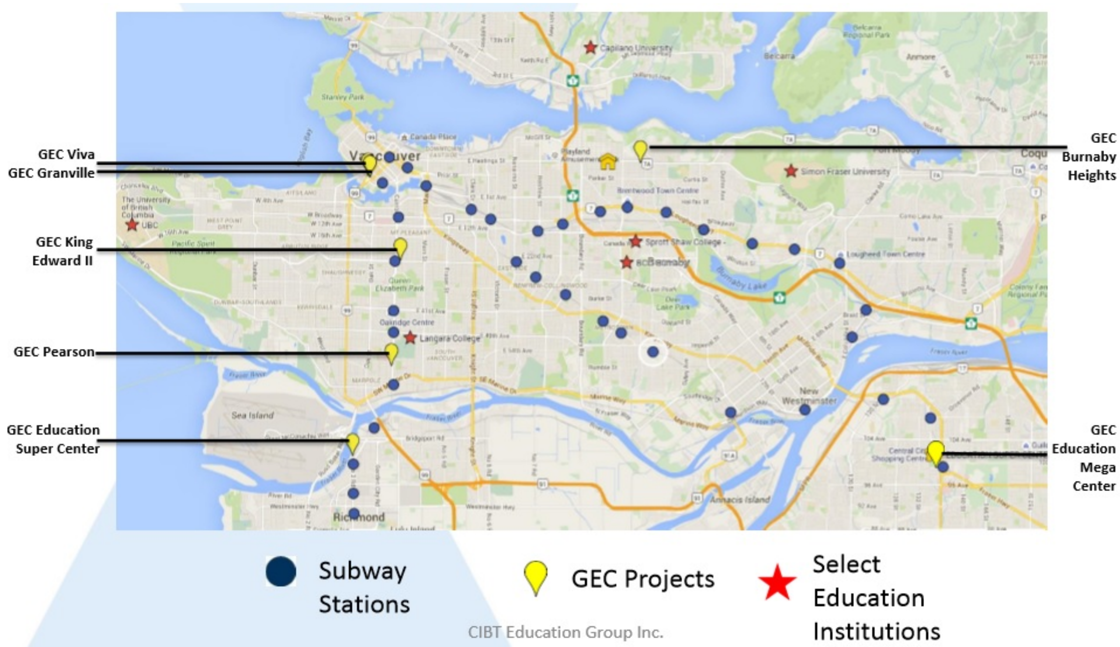
Student Housing

On July 31, 2017, CIBT announced the receipt of approval of the Design Panel of the City's planning department to construct the Education Mega Center in downtown Surrey.

The approved design is for a 55-storey building covering approximately 550,000 sq. ft. of mixed use retail, commercial, education, residential, hotel and amenity space. At 625 feet, the building is expected to be the second tallest building in the Greater Vancouver area.

The total estimated budget is approximately $271 million (previous estimate - $230 million). Management expects an equity participation of approximately $89 million, of which, $6.75 million has been raised to date at phase 1 to secure the land. According to management, phases 2 and 3 placements totaling $68 million will start in September 2017 through February 2018. As mentioned in our previous report, equity is being raised at the limited partnership level (partially owned and managed by CIBT as General Partner), instead of dilution of shares at the company level.

A map showing the company's seven projects is presented below.



Source: Company

The table below shows a summary of the acquired projects and the projects under development.

	Viva	Granville	Burnaby Heights	Pearson	West King Edward II	GEC Education Super Center (Richmond)	GEC Education Mega Center (Surrey)	Total
Projected Annual Rental Income (FRC Est.)	$3,500,000	$3,900,000	$1,775,000	$4,675,000	$3,600,000	$18,200,000	$21,680,000	**$57,330,000**
CIBT Ownership	20.0%	20.0%	25.0%	38.5%	21.0%	21.5%	20.0%	
CIBT Management Fee	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	
Purchase Price / Construction Costs	$35,000,000	$39,000,000	$17,750,000	$42,500,000	$36,000,000	$182,000,000	$271,000,000	**$623,250,000**
Beds	210	240	84	330	184	1000	1400	**3,448**
Status	Phase 1 complete / Phase II completion by Summer 2017	Operational	Operational	Under Construction (operational by Summer 2017)	Under Development (operational by July 2018)	In Planning Stages (expected completion in Spring 2020)	In Planning Stages (expected completion in Spring 2020)	
NOI Estimate (FRC est.)	$2,100,000	$2,340,000	$1,065,000	$3,412,750	$2,160,000	$10,920,000	$13,008,000	**$35,005,750**
Cap Rate (assumption)	4.5%	4.5%	4.5%	4.0%	4.5%	4.5%	4.5%	
Current Valuation (FRC est.)	$46,666,667	$52,000,000	$23,666,667	$85,318,750	$48,000,000	$242,666,667	$289,066,667	**$787,385,417**
Gain (FRC Est.)	$11,666,667	$13,000,000	$5,916,667	$42,818,750	$12,000,000	$60,666,667	$18,066,667	**$85,402,083**

*GEC Education Super/Mega Center Ownership may change with project financing

Our preliminary rental income estimates were based on approximately 10% of the cost price for each project

The projects have over 400 beds currently in operation. **Management expects to have over 1,000 beds by end of fall 2017, with another 2,580 beds under development.**

On July 5, 2017, the company announced that a third-party appraisal on the Pearson project showed a valuation of $86.1 million, reflecting a 105% increase over the $42.1 million purchase price. Our preliminary valuation, in our previous report, was $57 million.

In Q3-2017, the company did not report any revenues from development fees. For the nine-month period, the company recorded $5.60 million. Our forecast for FY2017 is $5.62 million, and for FY2018 is $5.42 million. These estimates are based on the assumption that 20% of the equity portion of the GEC Education Super Center, and the GEC Education Mega Center, will be recorded as development fees (assuming 90% debt to capital for both projects). Note that our estimates are very preliminary as CIBT's ownership in these projects is subject to project financing.

The company reported **rental revenues** of $2.08 million in the quarter, versus $0.78 million in Q3-2016, and $1.51 million in Q2-2017. Revenues came from 50% of Viva Suites Hotel (remaining 50% under renovation - (2nd to 7th floor) / Downtown, Granville / and Burnaby Heights. Renovation is expected to complete in September 2017.

The total **gain in the valuation** was $5.74 million in the first nine months of FY2017, versus $7.11 million in the first nine months of FY2016. The table on the previous page shows our estimates of the expected increase in the valuations of three operating assets, Pearson and West Kind Edward II (which are expected to be completed in 2017 and 2018, respectively). **We estimate a total valuation gain of $85 million, of which, a total of $23 million was reported in FY2015, FY2016, and the first nine months of FY2017**. We estimate the remaining gain to be reported over the next two years.

Update on the Vancouver RE Market

Vancouver's real estate market is recovering. Real estate sales declined at a significantly lower rate in May and June, compared to the first four months of the year. **Property prices continue to rise despite the drop in sales.**

Metro Vancouver	Jan-16	Jan-17	YoY	Feb-16	Feb-17	YoY	Mar-16	Mar-17	YoY
Residential Sales	2,519	1,523	-40%	4,172	2,425	-42%	5,173	3,579	-31%
New Listings	4,442	4,140	-7%	5,812	3,666	-37%	6,278	4,762	-24%
Active Listings	6,635	7,238	9%	7,299	7,594	4%	7,358	7,586	3%
Sales to Listings	37.97%	21.04%		57.16%	31.93%		70.30%	47.18%	
MLS Home Price Index	775,300	896,000	16%	795,500	906,700	14%	815,000	919,300	13%

Metro Vancouver	Apr-16	Apr-17	YoY	May-16	May-17	YoY	Jun-16	Jun-17	YoY
Residential Sales	4,781	3,553	-26%	4,769	4,364	-8%	4,400	3,897	-11%
New Listings	6,127	4,907	-20%	5,875	5,721	-4%	6,289	6,044	-4%
Active Listings	7,550	7,813	3%	7,726	9,168	19%	7,812	8,515	9%
Sales to Listings	63.32%	45.48%		61.73%	47.60%		56.32%	45.77%	
MLS Home Price Index	844,800	941,100	10%	889,100	967,500	9%	917,800	998,700	9%

Source: Real Estate Board of Greater Vancouver

The decline in Vancouver's real estate sales was primarily a result of the B.C. government's announcement in July 2016 to add a 15% property transfer tax on foreign nationals buying real estate in Metro Vancouver. Another factor that contributed to the slowdown is the federal government's announcement to increase the required down payment for properties over $500k.

The sales to active ratio was 46% in June 2017 versus 56% in June 2016. This decline is relatively not as steep as the previous months. We consider this as positive as it indicates a stabilization of the market.

Detached properties continued to experience the steepest decline in sales volumes.

Vancouver sales by type	Apr-16	Apr-17	YoY	May-16	May-17	YoY	Jun-16	Jun-17	YoY
Detached	1,979	1,211	-39%	1,865	1,548	-17%	1,562	1,324	-15%
Apartments	2,107	1,722	-18%	2,150	2,025	-6%	2,108	1,905	-10%
Attached Property	695	620	-11%	754	791	5%	730	668	-8%
Total	4,781	3,553	-26%	4,769	4,364	-8%	4,400	3,897	-11%

Source: Real Estate Board of Greater Vancouver

Vancouver's rental market remains extremely tight with vacancy rates at historic lows and rental rates at historical highs. As per PadMapper:

- The average rent on a one-bedroom apartment was $2,090 per month, up 15.5% YoY, and 2.5% MoM. In comparison, in Toronto, the average rent on a one-bedroom apartment was $1,800 per month, up 3.4% YoY, and 0.6% MoM.

- The average rent on a two-bedroom apartment was $3,230 per month, up 2.5% YoY, and 2.5% MoM. In Toronto, the average rent on a two-bedroom apartment was $2,430 per month, up 13.0% YoY, and 3.0% MoM

The following table from the Goodman Report shows that the total number of apartment units in the City of Vancouver has only increased by 0.8% p.a. from 2010 to 2016. Apartment units in suburban areas increased at 1.3% p.a.

	2010 (total apartment units)	2016 (total apartment units)	Change (units)	Change (%)
City of Vancouver	54,791	57,343	+2,552	+4.7% (avg. 425 suites/yr)
Suburban	49,666	53,630	+3,964	+8.0% (avg. 661 suites/yr)
Total	**104,457**	**110,973**	**+6,516**	**+6.2% (avg. 1,086 suites/yr)**

Source: The Goodman Report

According to the Goodman Report, only 4,806 units (4.3% of existing supply) are currently under construction in Metro Vancouver. These units will take two to three years to be completed. Metro Vancouver currently has approximately 110,973 units.

The Goodman Report also indicated extremely low vacancy rates (0.8%) and an aging stock (the average age of a building is 57 years) in the city, which we believe are other key indicators of a strong rental market in Metro Vancouver.

As mentioned in our previous reports, immigration and foreign investment are expected to continue due to the city's global appeal. The tight rental market, and a growing international student enrollment, are the major factors that make CIBT's business model highly attractive.

Revenues up by 52% YOY

In Q3-2017, revenues increased by 52% YOY to $12.36 million. Nine-month revenues were up 35% YoY to $36.83 million. The table below summarizes the company's key divisions and their revenues.

	Q3-2016	Q3-2017	YOY	2016 (9 mo)	2017 (9 mo)	YOY
SSC + Others						
Revenues	6,408,798	9,460,281	*47.61%*	19,009,582	23,284,313	*22.49%*
Gross Margins	56.97%	54.27%		57.47%	57.02%	
CIBT						
Revenues	613,044	438,473	*-28.48%*	2,015,768	1,428,081	*-29.15%*
Gross Margins	55.76%	52.86%		48.52%	49.31%	
IRIX						
Revenues	147,556	259,976	*76.19%*	615,422	724,986	*17.80%*
Gross Margins	79.13%	72.59%		75.81%	73.77%	
Commissions + Referral Fees						
Revenues	189,857	121,913	*-35.79%*	576,376	541,788	*-6.00%*
Gross Margins	63.72%	39.06%		35.12%	34.64%	
Global Education City						
Revenues (rental)	784,308	2,079,935	*165.19%*	1,440,793	5,258,568	*264.98%*
Gross Margins	70.06%	33.45%		52.49%	27.55%	
Global Education City						
Development fees				3,624,808	5,595,239	*54.36%*
Overall Revenues	**8,143,563**	**12,360,578**	*51.78%*	**27,282,749**	**36,832,975**	*35.00%*

Revenue growth primarily came from the strong growth in rental revenues (as mentioned earlier), and the acquisition of Vancouver International College in 2016. The quarter also included two months of revenues from the KGIC schools.

We are adjusting our FY2017 revenue estimate slightly from $48.72 million to $48.56 million, and our FY2018 estimate from $68.81 million to $68.98 million.

In Q3-2017, gross margins dropped to 51% (59% in Q3-2016) because of the following reasons:

- increase in rental revenues,
- the renovation at Viva Tower had a negative impact on gross margins of rental revenues, and
- the acquisition of KGIC schools - after KGIC was acquired by CIBT, KGIC was placed into receivership and went through the process of re-organization and bankruptcy proceedings. During the two-month period, while KGIC was in receivership status, expenses were being absorbed by CIBT, while revenues were temporarily ceased. Revenues resumed on April 1, 2017. These significant activities impacted CIBT's revenues and margins during the quarter. Management indicated that they expect revenues and margins to improve after Q4, when KGIC operations become stabilized.

Margins	Q3-2016	Q3-2017	2016 (9 mo)	2017 (9 mo)
Gross	58.70%	50.95%	62.1%	59.0%
EBITDA	-1.1%	-1.5%	7.2%	12.4%
EBIT	-4.0%	-4.1%	4.6%	10.3%
EBT	-5.7%	-6.5%	1.9%	6.7%
Net	110.7%	7.1%	36.7%	22.9%
Net (normalized)	-5.7%	-6.5%	1.9%	6.7%

General and administrative ("G&A") expenses increased by 33% YOY to $6.48 million, and were higher than our estimates. We have revised our FY2017 estimate accordingly.

EBITDA was -$0.19 million in Q3-2017 versus -$0.09 million in Q3-2016. CIBT reported net income of $0.88 million (EPS: $0.01) in the quarter versus $9.01 million (EPS: $0.13) in Q3-2016. The higher net profit last year was a result of the $7.11 million gain in the value of assets reported in Q3-2016, versus $1.49 million in Q3-2017. For the nine-month period, net profit decreased by 16% YoY to $8.42 million (EPS: $0.12).

We are adjusting our FY2017 EPS estimate from $21.38 million / EPS: $0.28 to $34.98 million / EPS: $0.45, and our FY2018 estimate from $29.26 million / EPS: $0.38 to $37.86 million / EPS: $0.48. The significant increase is because we expect the company to report a gain in valuation of assets of $37 million in FY2017 and $31 million in FY2018.

Cash Flows

Free cash flows ("FCF") were -$28.30 million in the first nine months due to a net capital outlay of $44.34 million related to property investments.

Summary of Cash Flows (C$, mm)	2013A	2014A	2015A	2016A	2016 (9M)	2017 (9M)
Operating	-$1.80	-$4.30	$3.25	$0.12	$1.44	$8.58
Investing	-$2.69	$6.48	-$33.58	-$7.85	-$6.01	-$44.34
Financing	$0.63	-$3.00	$30.03	$9.76	$4.66	$38.15
Effects of Exchange Rate	-$0.55	-$0.02	-$0.11	$0.03	$0.03	$0.07
Net	**-$4.41**	**-$0.85**	**-$0.42**	**$2.05**	**$0.12**	**$2.47**
Free Cash Flows to Firm (FCF)	**-$4.56**	**-$0.68**	**-$30.30**	**-$7.82**	**-$3.56**	**-$28.30**

Balance Sheet

At the end of Q3-2017, the company had $7.16 million in cash. Working capital and the current ratio were -$8.01 million and 0.7x, respectively. Excluding deferred revenues, working capital would have been $10.27 million. The debt to capital was at 43%.

Liquidity & Capital Structure (C$)	2013A	2014A	2015A	2016A	Q1-2017	Q2-2017	Q3-2017
Cash	$3,746,406	$5,022,012	$2,514,195	$4,489,971	$7,221,851	$7,254,808	$7,162,195
Working Capital	-$6,806,317	-$3,780,054	-$31,466,726	-$3,994,904	-$5,041,426	$594,840	-$8,099,863
Current Ratio	0.63	0.78	0.27	0.76	0.78	1.03	0.71
Debt/Capital	20.93%	14.08%	43.97%	35.58%	45.69%	42.19%	43.07%
EBIT Interest Coverage	(29.5)	(19.3)	(0.5)	(1.0)	8.8	0.3	(0.7)

Subsequent to the quarter end, the company raised $1.27 million by issuing 4% p.a. convertible debentures maturing in June 2022 (conversion price - $0.79 per share).

Stock Options and Warrants

The company had 0.43 million options (weighted average exercise price – $0.50), and 3.70 million warrants (weighted average exercise price – $0.75) outstanding. All the warrants and 0.33 million options are currently in the money. The company can raise up to $2.90 million if all these options and warrants are exercised.

Valuation and Rating

Our revised valuation is $1.40 per share (previously $1.37 per share). The following tables summarize our valuation.

	Ticker	EV / Revenue	P / B
American Campus Communities	NYSE: ACC	11.60	1.80
Education Realty Trust	NYSE: EDR	11.60	1.60
Average		**11.60**	**1.70**

	Projected Annual Revenues	Projected Book Value
$, millions	$57.33	$124.65
	(FRC est.)	20% of the est. budget of $623M
Fair Value of 20% Equity ($, millions)	$33.29	$42.38
Average ($, millions)	**$37.83**	

Valuation	Fair Value
Education Management	
* Discounted Cash Flow @ 10%	$64,369,342
* EV / Revenue @ 1.5x	$79,142,814
Average	**$71,756,078**
Student Housing (GEC)	
	$37,833,300
Fair Value Estimate	**$109,589,378**

We reiterate our BUY rating and adjust our fair value estimate to $1.40 per share.

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 will 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 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$)	2014A	2015A	2016A	2017F	2018F
REVENUES					
Educational	27,590,311	27,248,686	27,629,310	34,130,088	50,801,261
Rental		647,046	4,959,459	6,937,500	10,800,000
Commissions + Referral Fees	843,022	619,077	1,036,372	984,553	935,326
Design and advertising IRIX	860,989	1,082,119	775,266	891,556	1,025,289
Development fees	1,621,832	2,582,023	1,713,737	5,620,000	5,420,000
Total Revenues	**30,916,154**	**32,178,951**	**36,114,144**	**48,563,697**	**68,981,876**
DIRECT COSTS					
Educational	11,132,629	11,006,541	12,100,972	14,817,265	20,520,659
Commissions + Referral Fees	407,655	250,400	679,513	615,346	467,663
Rental	-	479,257	3,844,123	5,029,688	7,020,000
Design and advertising IRIX	174,759	309,689	161,204	222,889	256,322
Total Direct Costs	**12,174,629**	**12,045,887**	**16,785,812**	**20,685,187**	**28,264,644**
Gross Profit	**18,741,525**	**20,133,064**	**19,328,332**	**27,878,510**	**40,717,232**
EXPENSES					
Stock-based compensation	15,992	15,909	26,758	35,982	51,111
General and administrative	19,729,134	19,335,528	19,828,886	24,786,108	26,025,413
Business development costs	180,000	90,000			
Total Expenses	**19,925,126**	**19,441,437**	**19,855,644**	**24,822,090**	**26,076,524**
EBITDA	**(1,183,601)**	**691,627**	**(527,312)**	**3,056,420**	**14,640,708**
Amortization	1,101,531	979,534	870,376	1,028,521	1,093,439
EBIT	**(2,285,132)**	**(287,907)**	**(1,397,688)**	**2,027,899**	**13,547,269**
Interest / Finance Cost	(118,438)	(556,106)	(1,394,171)	(2,182,521)	(3,116,415)
Interest Income	135,445	38,972	645,861		
Foreign exchange (loss) gain	98,720	227,728	39,345		
Loss on disposal of property, plant and equipn	(52,007)	(65,332)	(8,363)	-	-
EBT	**(2,221,412)**	**(642,645)**	**(2,115,016)**	**(154,622)**	**10,430,854**
Loss of investment in associates		(9,360)	(820,662)		
Gain on Change of Property Fair Value		7,615,175	9,779,146	36,874,553	31,133,209
Gain on sale of discontinued operations	7,030,395	-	3,827,120	-	-
Net Profit (Loss) before tax	**4,808,983**	**6,963,170**	**10,670,588**	**36,719,931**	**41,564,063**
Taxes	(503,978)	962,396	1,455,174	1,735,207	3,705,961
Net Profit (Loss)	**5,312,961**	**6,000,774**	**9,215,414**	**34,984,724**	**37,858,102**
EPS	0.08	0.09	0.13	0.45	0.48
Non-controlling interests	(153,471)	(4,960,754)	(5,309,450)	(29,975,085)	(25,903,389)
Net Profit (Loss) to CIBT shareholders	**5,159,490**	**1,040,020**	**3,905,964**	**5,009,639**	**11,954,713**
EPS	0.08	0.02	0.06	0.06	0.15

FRC

CONSOLIDATED BALANCE SHEETS (in C$)	2013A	2014A	2015A	2016A	2017F	2018F
ASSETS						
CURRENT						
Cash and short-term investments	3,746,406	5,022,012	2,514,195	4,489,971	8,329,145	18,252,430
Accounts receivable	6,636,480	7,323,999	7,975,499	6,795,474	13,824,430	19,636,790
Prepaids and other	642,694	640,935	714,763	695,716	1,063,928	1,511,247
Others	-	-	-	-	-	-
Inventory	378,020	389,758	441,150	363,293	363,293	363,293
Total Current Assets	**11,403,600**	**13,376,704**	**11,645,607**	**12,344,454**	**23,580,796**	**39,763,760**
Due from Related Parties	52,500	835,000	735,000	2,329,947	2,329,947	2,329,947
Property and Equipment	2,794,473	2,478,150	2,518,789	2,103,147	3,266,586	4,481,452
Intangible Assets	9,097,072	8,521,598	8,472,376	8,182,067	7,667,806	7,121,087
Goodwill	4,793,303	4,793,303	4,793,303	5,721,907	5,721,907	5,721,907
Future Income Tax	2,654,283	2,582,442	2,115,926	2,091,845	2,091,845	2,091,845
Deferred Cur. Dev. Costs & Other Assets	33,518	53,483	10,306	1,522,116	1,522,116	1,522,116
Investment property			38,100,000	49,900,000	162,644,553	427,197,762
Refundable deposits + Investment		8,307,320	11,615,440	18,151,058	18,151,058	18,151,058
Assets held for Sale/Cash held in trust	11,709,872	748,200	660,010		-	-
Total Assets	**42,538,621**	**41,696,200**	**80,666,757**	**102,346,541**	**226,976,615**	**508,380,934**
LIABILITIES						
CURRENT						
Accounts payable and accrued liabilities	3,462,507	3,819,796	4,726,161	3,000,520	6,724,361	9,188,299
Deferred revenue	11,179,121	9,831,156	10,319,570	11,548,744	18,102,814	25,713,983
Lease obligation + provision	258,332	195,959	208,094	164,795	164,795	164,795
Income Tax Payable	153,564	155,491	176,259	114,836	114,836	114,836
Current portion of the long-term debt	2,931,495	450,000	23,675,080	493,638		-
Due to related parties	224,898	2,704,356	4,007,169	1,016,825	1,016,825	1,016,825
Total Current Liabilities	**18,209,917**	**17,156,758**	**43,112,333**	**16,339,358**	**26,123,632**	**36,198,738**
Lease Obligation	480,483	508,764	457,416	324,009	159,214	159,214
Long-term Debt		-	-	28,344,426	89,040,426	275,776,426
Liabilities held for Sale	8,070,697					
Future Income Tax Liabilities	1,062,690	479,918	972,246	2,399,401	2,399,401	2,399,401
SHAREHOLDERS EQUITY						
Share capital	48,182,766	48,836,693	49,115,490	49,024,991	53,929,801	53,929,801
Contributed surplus	5,917,043	5,214,064	5,884,084	5,669,832	5,044,302	5,095,413
Accumulated Comprehensive loss	111,923	158,247	381,698	237,890	237,890	237,890
Non-controlling interests	1,209,395	5,156,637	15,518,351	30,875,531	75,901,207	148,488,596
Deficit	(40,706,293)	(35,814,881)	(34,774,861)	(30,868,897)	(25,859,258)	(13,904,545)
Total shareholders' equity (deficiency)	**14,714,834**	**23,550,760**	**36,124,762**	**54,939,347**	**109,253,942**	**193,847,155**
Total Liabilities and Shareholders Equity	**42,538,621**	**41,696,200**	**80,666,757**	**102,346,541**	**226,976,615**	**508,380,934**

CONSOLIDATED STATEMENTS OF CASH FLOWS (in C$)	2013A	2014A	2015A	2016A	2017F	2018F
CASH FLOWS FROM OPERATING ACTIVITIES						
Net Profit (Loss) for the year	(1,585,090)	5,312,961	6,000,774	9,215,414	34,984,724	37,858,102
Adjusted for items not involving cash:						
- amortization	3,183,130	1,830,410	1,382,852	1,386,170	1,028,521	1,093,439
- stock-based compensation	81,527	15,992	15,909	26,758	35,982	51,111
- loss on disposal of property, plant and equipment	(142)	52,007	65,332	(3,818,757)	-	-
- (gain) loss on disposal of subsidiaries	-	(7,030,395)				
-gain from changes in ownership investment interests	-	-	9,360	883,279	-	-
-bad debt provision		100,000				
-impairment of marketable securities						
-development fees		(1,621,832)	(85,390)	(242,418)		
-gain on fair value changes in investment properties			(7,615,175)	(9,779,146)	(36,874,553)	(31,133,209)
-finance fees			418,818	550,664		
-future/current income tax provision	(1,208,172)	(510,931)	958,844	1,451,236		
Funds From Operations	**471,253**	**(1,851,788)**	**1,151,324**	**(326,800)**	**(825,325)**	**7,869,443**
Net changes in non-cash working capital items	(2,268,852)	(2,449,894)	2,096,587	441,927	2,880,744	3,815,427
NET CASH USED IN OPERATING ACTIVITIES	**(1,797,599)**	**(4,301,682)**	**3,247,911**	**115,127**	**2,055,419**	**11,684,870**
CASH FLOWS FROM INVESTING ACTIVITIES						
PP&E	(1,354,206)	(377,359)	(683,625)	(458,527)	(1,677,700)	(1,761,585)
Investment Properties			(289,042)	(925,265)		
Deposits on real estate properties		(1,950,000)	(2,800,000)	(6,725,000)		
Acquisitions	(1,407,350)	(411,718)	(29,777,937)	(1,956,845)	(75,870,000)	(233,420,000)
Disposal of business assets	2,421	6,356,931		2,134,710		
Promissory Note Receivables		3,612,639				
Restricted cash	66,513	(6,463)	(30,114)	79,563		
Funds held in escrow/Cash held in trust		(748,200)				
NET CASH USED IN INVESTING ACTIVITIES	**(2,692,622)**	**6,475,830**	**(33,580,718)**	**(7,851,364)**	**(77,547,700)**	**(235,181,585)**
CASH FLOWS FROM FINANCING ACTIVITIES						
Cash from equity and debt issuances	-	485,752	1,137,952	84,413	4,904,810	
Acquisition of the Company's shares into treasury, net	(389,520)	(818,874)	(283,358)	(351,474)	(661,512)	-
Advances (to) from related parties	195,981	208,758	1,441,003	(2,848,753)		
Lease obligation repayments	(129,617)	(136,717)	(166,412)	(219,526)	(164,795)	
Non controlling interest capital contribution			6,033,200	10,374,000	15,050,591	46,684,000
Non-controlling interest draws	(358,799)	(236,654)	(485,100)	-	-	-
Loan principal payments	(1,652,737)	(2,481,495)	(450,000)	(14,585,142)		
Long-term debt advances	3,000,000		22,756,262	19,914,554	60,202,362	186,736,000
Funds from loan advances				(1,897,308)		
Deferred finance fees	(33,518)	(19,965)	43,177	(706,786)	-	-
NET CASH FROM FINANCING ACTIVITIES	**631,790**	**(2,999,195)**	**30,026,724**	**9,763,978**	**79,331,456**	**233,420,000**
Foreign Exchange / Others	(550,626)	(24,143)	(113,515)	27,198		
INCREASE IN CASH FOR THE YEAR	**(4,409,057)**	**(849,190)**	**(419,598)**	**2,054,939**	**3,839,174**	**9,923,285**
CASH, BEGINNING OF THE YEAR	7,964,476	3,555,419	2,706,229	2,286,631	4,489,971	8,329,145
CASH, END OF THE YEAR	**3,555,419**	**2,706,229**	**2,286,631**	**4,341,570**	**8,329,145**	**18,252,430**

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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