

CIBT Education Group Inc. (TSXV: CPT; OTCBB: CBTGF) – Acquisition of SSCC at Reasonable Valuation To Provide Significant Synergies

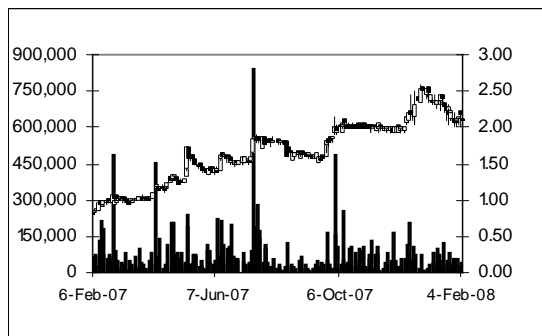
Sector/Industry: Education & Media Communication

www.cibt.net

Market Data (as of February 6, 2008)

Current Price	C\$2.07
Fair Value	C\$2.70 (↑)
Rating*	BUY (↑)
Risk*	3 (Average)
52 Week Range	C\$0.81 – C\$2.59
Shares O/S	62,217,904
Market Cap	C\$128.79 million
Current Yield	N/A
P/E (forward)	N/A
P/B	8.66
YoY Return	153.0%
YoY TSX-V	-15.6%

*See back of report for rating and risk definitions



Q1-2008 Highlights

- In December 2007, CIBT completed their largest acquisition to date – Sprott Shaw Community College. The acquisition price reflects a P/S of 0.37 and P/EBITDA of 4.04, well below industry average multiples.
- In addition to being a cheap acquisition, we found significant revenue and cost synergies between CIBT and SSCC that we believe will have a very positive impact on the consolidated company going forward.
- Post-acquisition, CIBT has a total of 42 delivery locations globally employing over 400 full and part time employees, a student population of 7,500 and combined revenues of approximately \$38.79 million in FY2007 (excluding IRIX's revenues and investment and consulting income).
- CIBT has been progressing very well with their new “Spoke and Hub” strategy. In the past 3 months, the company announced eight agreements to start their Vocational and Education Centers in various campuses. If the company continues at this rate, we believe they will be able to achieve their goal of 50 education centers by 2010.
- The company continues to be in a strong cash position.
- The second half of FY2008 will be very interesting as the company tries to complete the integration of SSCC and CIBT. Q3 results are highly awaited as the company discloses more information on SSCC's financial performance.
- We have raised our fair value estimate from \$1.70 to \$2.70, and upgraded our rating from HOLD to BUY.

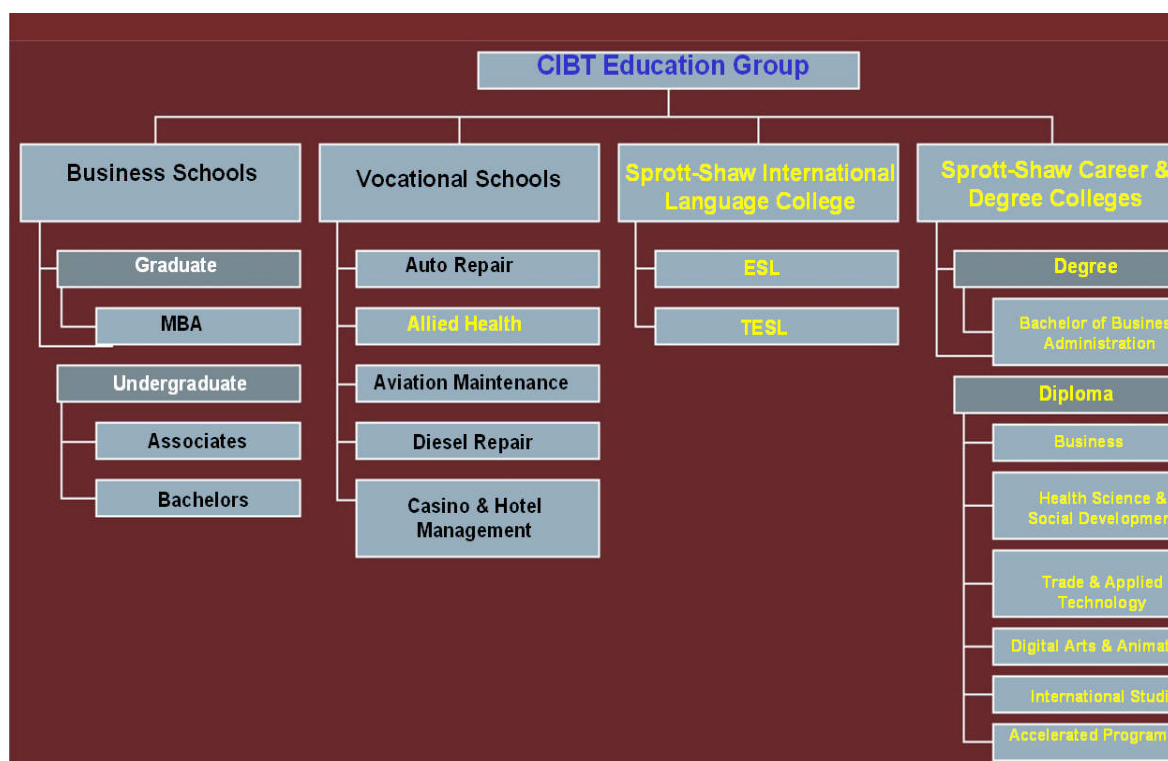
Key Financial Data - FY2004-05 (YE - Dec 31); FY2006-08 (YE - June 30)

(in U.S.dollars)	2005	2006 (6 mo)	2007	2008E	2009E
Revenues	4,072,180	2,323,368	7,487,716	24,000,172	43,511,642
EBITDA	(837,702)	436,124	532,220	(308,304)	3,742,203
EBITDA Margin	-20.6%	18.8%	7.1%	-1.3%	8.6%
Net Income	(296,097)	275,414	196,160	(1,926,164)	1,379,134
EPS (Basic)	(0.01)	0.01	0.00	(0.03)	0.02
Assets	6,148,232	7,799,064	19,909,697	31,101,308	39,385,869
Debt to Assets	0.2%	1.4%	25.5%	16.3%	12.8%
ROE	-14.8%	6.7%	1.4%	-9.2%	5.8%

CIBT Education Group (CIBT) is a diversified investment, operations and management firm, with subsidiaries operating in the education and advertising sectors. While the company's advertising business focuses on the Canadian and U.S. markets, the education business is primarily focused in China and Canada.

Completes largest acquisition to date

In December 2007, CIBT completed the company's largest acquisition to date by acquiring Sprott-Shaw Community College ("SSCC"), a leading career and academic college in Canada. SSCC, which was established in 1903, is the oldest and largest private career college in BC, Canada. SSCC, which includes Sprott-Shaw Community College, Sprott-Shaw International Language College and Sprott-Shaw Degree College, offers over 140 career, vocational and degree granting programs to about 3,500 students in 23 locations worldwide, including 17 in Canada (B.C. and Alberta), three in Asia (Vietnam, Philippines and China) and two in the Middle East. The chart below shows SSCC's course offerings versus CIBT's programs.



Source: CIBT Education Group Inc.

As shown in the chart, SSCC currently offers more vocational and career courses compared to CIBT, thereby allowing CIBT to significantly increase and diversify their course offerings.

Cheap Acquisition: Sprott has reported average annual revenues in excess of C\$30 million for the past four years. In FY2007, Sprott had sales of \$32.6 million, and EBITDA of \$2.97 million (EBITDA margin – 9.11%). SSCC's average revenue per student in FY2007 was \$9,300 per year, which is much higher than CIBT's \$1,800 per year.

CIBT paid \$12 million in cash to acquire 100% of SSCC. The acquisition reflected a P/S of 0.37 (versus Apollo Group's 4.6), and P/EBITDA of 4.04 (versus Apollo Group's 18). These valuation multiples clearly indicate that the acquisition price was very favorable for CIBT.

Post-acquisition, CIBT has a total of 42 delivery locations globally employing over 400 full and part time employees, a student population of 7,500 and combined revenues of approximately \$38.79 million in FY2007 (revenue estimates do not include IRIX's revenues and investment and consulting income).

Potential Synergies: Sprott's revenues and student enrollments were almost steady in the past four years. Therefore, we do not expect SSCC to achieve high revenue growth by itself moving forward. We mentioned earlier that the acquisition was a cheap one for CIBT solely based on SSCC's current revenues and EBITDA. In addition, we have found significant synergies between CIBT and SSCC that we believe will have a very positive impact on the consolidated company going forward. We believe Sprott's extensive network of supporting infrastructure, teaching resources, knowledge and experience will add tremendous value to CIBT's network in China.

- **Growth in student enrollments:** CIBT's students from China (enrolled in 2+2 programs – 2 years in China, and 2 years in a North America or Europe) can now study in Canada at Sprott's campuses and receive a Canadian degree. Currently, CIBT is sending many of its students in China to schools in the U.K. This acquisition will allow CIBT to direct students to their Sprott campuses in Canada instead of the UK or Australia. Considering the fact that there is significant interest in obtaining foreign education (North American/European) in China, we expect the company's 2+2 programs will continue to receive significant interest.
- **Improved gross margins:** Instead of using their partner's curriculum, CIBT can now offer their own career and vocational programs (Sprott currently offers over 140 programs) to their campuses in China. This offers an excellent opportunity to increase margins, as the company will not have to share revenues (eliminate licensing fee to existing US partners in certain Sprott programs), like it currently does with its education partners in North America. CIBT's managers from China are evaluating Sprott Shaw's courses to decide which to export first, including hotel management, animation, and construction management.
- **Lower fixed costs:** Sprott's EBITDA margins of 9.11% compared to the industry average (personal services) margins of 23.66% are low. Our discussions with management indicated that Sprott has very high gross margins of around 65% (industry average is around 54%). This implies that SSCC's fixed costs are roughly 56% of revenues. We believe these fixed costs can be reduced as a portion of general and administrative costs can be eliminated as the companies merge.
- **Develop new course offerings:** Sprott's extensive teaching resources and knowledge will allow CIBT to develop new course offerings to the vocational training sector and add its own degree programs.

Based on the very limited information that we have regarding SSCC's performance and cash flows, we believe that this acquisition will add considerable value to CIBT based on – 1) a cheap acquisition price, and 2) all the synergies that we mentioned earlier.

CIBT has decided to retain SSCC's existing management to continue day-to-day operations. Now, we look at CIBT's progress in China since our last update.

Update on developments in China

In the second half of 2007, the company changed its name from Capital Alliance Group Inc. to CIBT Education Group Inc., increased ownership of CIBT from 76.1% to 99.8%, and has turned into a pure play education provider. The company currently operates 19 locations, 10 of which are fully operational, while nine centers are under construction.

Spoke and Hub Strategy: In April 2007, the company unveiled their new strategy to capitalize on the growing Chinese Education market. The company's new strategy, termed "Spoke and Hub", is to set up Education Centers in several smaller cities (Tier II and Tier III cities) to support larger campuses. As of now, the company plans to set up 10 centers for each large campus.



Source: CIBT Education Group Inc.

The new education centers (much smaller in scale than a full size campus, and typically 2,000 to 3,000 sq. feet) will reduce the need for actual instructors in classrooms by employing video conferencing system technology as a partial form of instruction. With the help of state-of-the-art video conferencing technology, instructors from larger campuses will be able to deliver courses to six – eight classrooms (40 students each) simultaneously in real-time. The technology will allow interaction between the student and the teacher via live video conferencing. The newly constructed classrooms (as shown in the picture above) have a modern look and are similar to typical North American classrooms. Once completed, the extensive network of education centers will allow CIBT

to offer its programs in a very cost-effective and efficient manner. CIBT has already signed agreements with more than 10 locations to date. Currently, all the agreements are related to building one Education Center per campus. We are optimistic that the company will be able to add more centers per campus going forward.

CIBT's initial plans are to open 50 new education centers, within recognized state owned colleges or universities, by 2010, and then extend their reach to have up to 300 centers in China and other parts of Asia. Assuming \$1,800 per year for each student (which was the average fee per year for CIBT in 2007), in full capacity, each education center can generate up to \$72,000 per year (\$1,800/year * 40 students). Therefore, 50 locations would imply revenues of \$3.6 million by 2010, and 300 centers would imply revenues of \$21.6 million by 2015. **According to our discussions with management, CIBT's cost of building an education center is only \$40,000, which means the payback is less than a year.**

In the past 3 months CIBT announced eight agreements to start their Vocational and Education Centers in various campuses. Although still in early stages of implementation, if the company can continue at this current rate, we believe they will be able to achieve their goal of 50 education centers by 2010. A brief description of the company's recent agreements follows.

1. **Zhuhai Broadcasting & Television University (ZBTU) in Zhuhai City, China** - Zhuhai is within walking distance from one of the biggest gaming cities in the world, Macau. ZBTU offers a variety of degree and non-degree programs (such as Computer Science, Law, Business Administration, English, Finance, Accounting, Electrical Engineering and Information Technology) to more than 6,000 students. According to statistics presented by CIBT, Macau has a working population of less than 295,000 people servicing 18 million visitors per year and must rely heavily on China to boost its labour force.
2. **Tianjin University in Tianjin city, China** - Tianjin University is one of the best and most prestigious universities in China. In addition, TJU's MBA program will be offered at all CIBT Education Centers. CIBT will also work with TJU to co-develop an International MBA program using TJU's MBA program curricula with the objective of ultimately transforming Tianjin University's MBA program into an international management degree.
3. **Lianyungang Teachers College (LTC) in Lianyungang City, China** - This is CIBT's 39th location globally. The college has 587 faculty members and 6,000 student enrollments with an additional 10,000 students at affiliated colleges. CIBT plans to offer English training, travel and tourism, digital arts and other business management programs in the location.
4. **Jinhua Career & Technical College (JCTC) in Jinhua City, China** - JCTC is one of the largest vocational institutions in the area with 15,000 students enrolled in

64 programs. CIBT intends to offer marine diesel maintenance, construction management, and other technical programs.

5. **Xinhua Technical College (XTC) in Fuzhou, China** – This college has 5,200 student enrollments and offers more than 20 diploma programs. CIBT will deliver a variety of vocational and technical trade programs.
6. **Qingdao Advanced Technical College (QATC) in Qingdao City, China** - With a campus size of 32 acres, QATC has 214 faculty members and 5,500 student enrollments. Programs planned for this location include marine diesel maintenance, construction management, travel and tourism, computer animation, game design, and other business management programs.
7. **Taiyuan City Vocational College (TCVC) in Taiyuan City, China:** The college has a faculty base of 250 members and over 4,500 students. TCVC offers a variety of programs including finance, accounting, economics, administration management, and computer science.
8. **Shunde Vocational Secondary School (SVSS) in Foshan City, China:** This training facility is approximately 77,500 square feet and situated on a 21 acre campus, with a student population of 1,300. Programs planned for this location include, automotive maintenance and other business management programs.

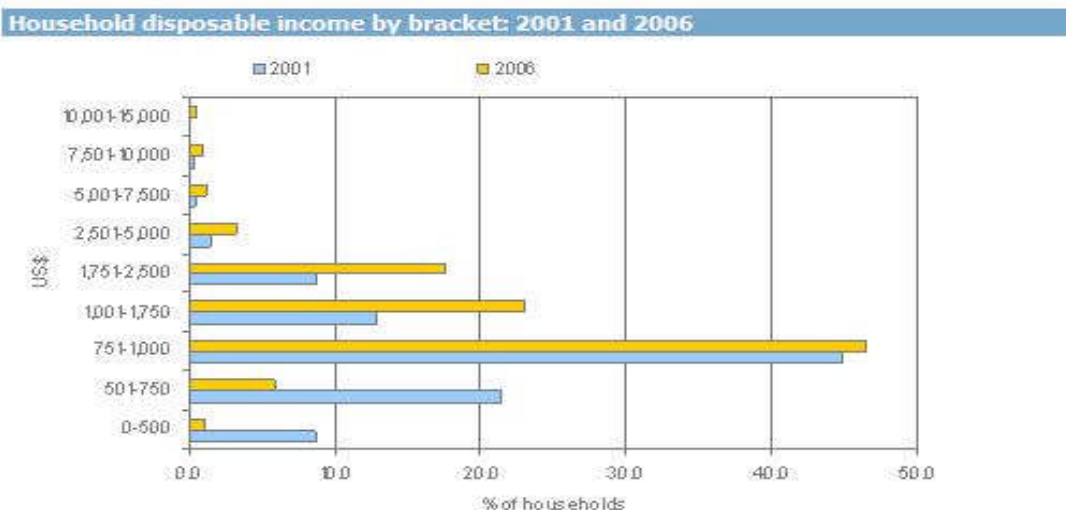
Except for SVSS, all the other colleges mentioned above have at least 4,500 student enrollments, which implies that it is very likely that CIBT will be able to add more than one education center (which has a capacity of only 40 students) and offer more programs in each of these campuses.

**Industry
Update -
Chinese
Education
Industry**

Favorable Economic Impact on the Education Industry: China's booming economy will continue to have a strong demand for labor. Our outlook on the Chinese Higher Education Industry remains favorable. According to USCBC (The US-China Business Council), China had YOY GDP growth of 11.5% for Q3 2007, and a 2007 GDP growth forecast of 11.6% by People's Bank of China (as compared to 10.7% in 2006). FDI (Foreign Direct Investment) in China continues to stay high. According to the USCBC, FDI in China was \$15.9 billion for Q1 2007, a 11.6% increase over Q1 2006. We believe the demand for western style education will remain strong in the future as foreign companies continue to increase operations in China. In addition, China's large domestic businesses will also have high demand for a skilled and qualified workforce with western-style education as they expand globally (USCBC statistics indicate that China had YOY export growth of 27.1% in Q3-2007).

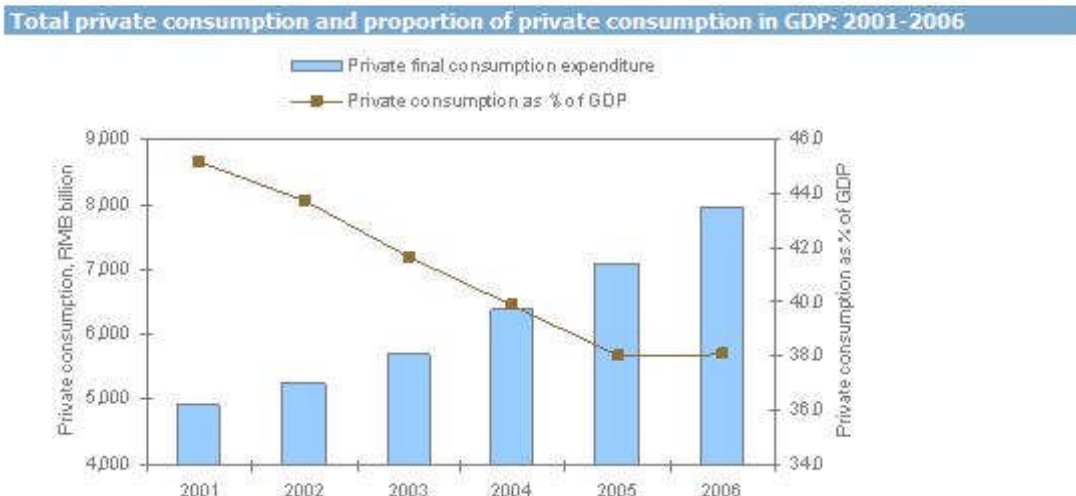
Update On Chinese Middle Class: According to a Euromonitor International report, China's middle class (defined as households with an annual income between RMB 60,000 and RMB 500,000) had reached 80 million in January 2007, up from 65.5 million in January 2005. In light of strong economic growth, the middle class, with growing

incomes, is forecasted to grow to 700 million by 2020. The report states that the annual disposable income per household in 2006 was RMB 21,739, up 50% compared with 2001 in real terms. The following chart depicts the increasing household purchasing power.



Source: Euromonitor International from IMF and national statistics

According to the Euromonitor International report, the middle class in China concentrates primarily in urban areas and represents entrepreneurs and managers in high-tech companies, foreign firms and financial institutions and self-employed private entrepreneurs. Total consumer expenditures were in excess of RMB 7,800 billion, representing a 10.6% real increase from the previous year. As shown in the report, the Chinese private banking market grew 12% in 2006, and shops are being set up by an increasing number of international luxury brands to capture the increasing wealth of Chinese consumers. The chart below shows the growing private consumption.



Source: Euromonitor International from IMF

The same Euromonitor report states strong growth can be expected for **automotive**, housing, tourism, **education** and entertainment industries in the coming years.

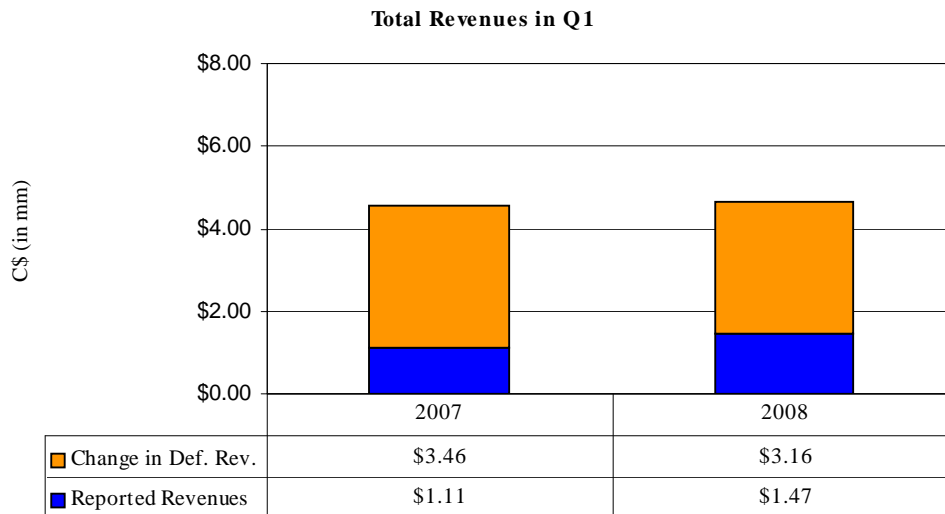
CIBT has a **strategy of targeting the middle class students** of tier 2 and tier 3 cities. From our analysis of macroeconomic conditions above, we believe, this strategy will continue to be favorable for the company. Many of CIBT's current programs do a good job of meeting the educational needs of the rising Chinese middle class. With the increasing population and purchasing power of the middle class, we believe that CIBT is well positioned for long-term growth.

Current Statistics: According to CIBT's Executive Summary (January 2008), China has 320 million students in 1.35 million schools, larger than the entire population of the U.S. (301 million). Only 1.3% of China's population is currently enrolled in universities, as compared to 5.4% in United States. If China achieves the same rate of enrollments as the U.S., this would represent growth potential of 300% in the Chinese higher education market covering 50 million people and an additional 20 million people in the vocational training market. Based on the executive summary, about 250 million people moved to urban coastal cities over the past 20 years from rural areas for higher paying jobs, which require specialized and advanced skills.

Currently, the competition in the Chinese job markets is fierce. It is often very difficult for recent graduates to get job placement. We think CIBT's western style education program and training are highly valued by the current job markets and gives students a competitive edge over other students who only undertake regular university curriculum. In conclusion, we continue to believe that the Chinese higher education industry is favorable and CIBT is well positioned to capitalize on the industry's growth.

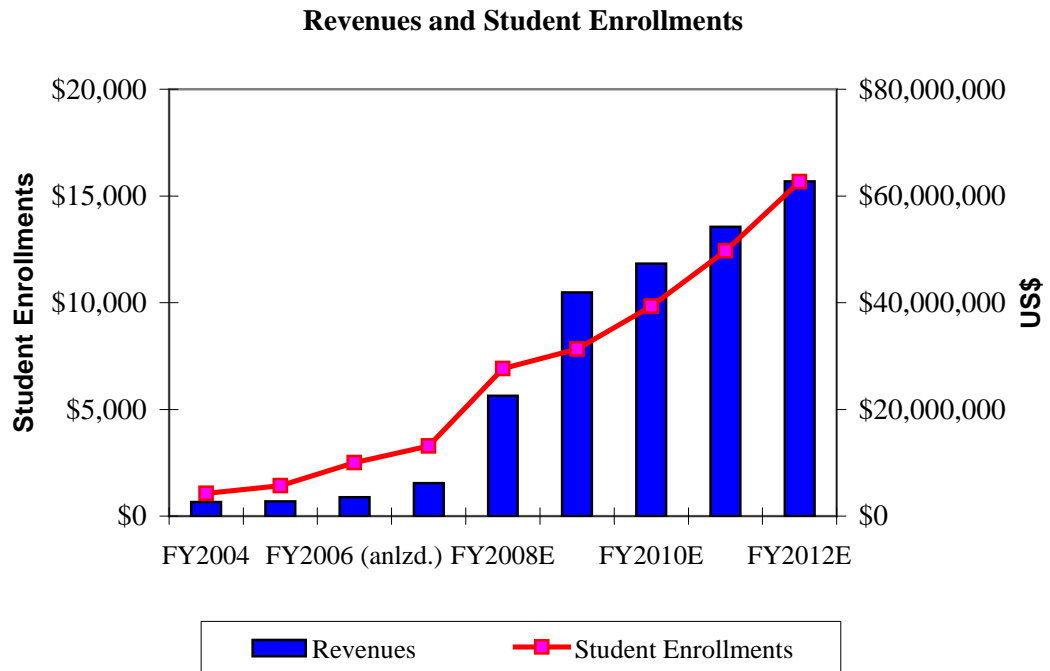
Review of Q1-2008 results

CIBT posted revenues of \$1.47 million in Q1-2008, versus \$1.11 million in Q1-2007, an increase of 32.2% YOY. However, the actual YOY growth in total tuition fees received in Q1-2008 was only 1.3% YOY, from \$4.57 million to \$4.67 million (calculated as posted revenues plus change in deferred revenues). About 60% of the company's revenues are received in Q1, therefore, Q1 revenues are normally a good benchmark for revenues in the 12-month period. As shown in the chart on the next page, although reported revenues grew significantly, growth in collected tuition fees was not that significant.



The reason for the small increase in revenues was that student enrollments grew by only 4% YOY, from 3,290 to 3,420 at the end of September 2007. Even though CIBT signed several agreements in 2007, all of them were focused on setting up CIBT centers, which typically takes three months for construction and another three months to ramp up enrollments. Therefore, we expect revenues from these agreements to show in the second half of FY2008.

The chart below shows our revenue forecasts through FY2012. Note that FY2008 forecasts include only 6 months of Sprotts’s revenues (Jan – Jun 2008).

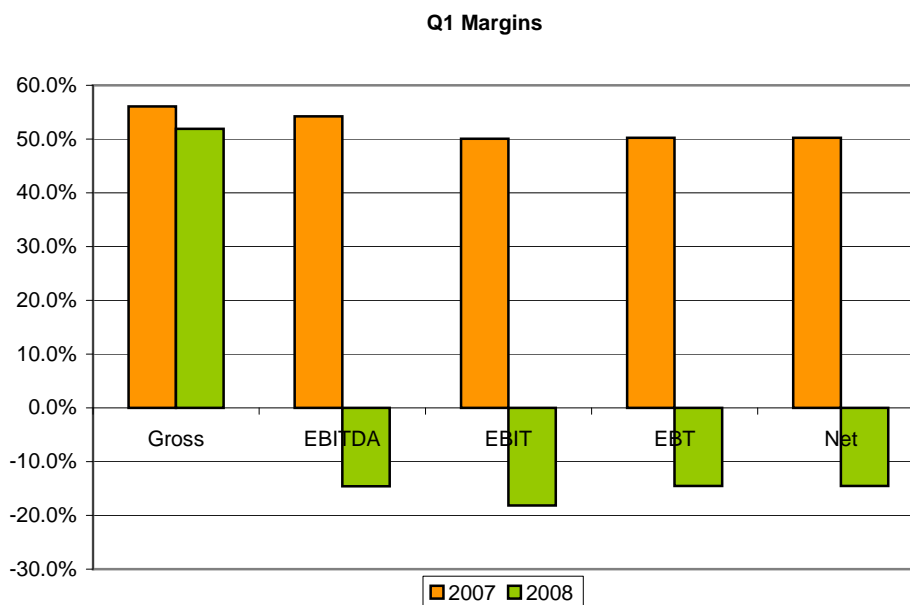


Our revenue forecasts for FY2008, and FY2009, are \$22.58 million (up from \$8.14 million), and \$41.95 million (up from \$13.60 million), respectively. We have also revised our long-term revenue forecasts for the company upwards. We have assumed that CIBT will be able to setup 10 new education centers every year through 2012. Also, we have assumed that CIBT will be able to add one education center each year up to a total of five centers per location. We have assumed that Sprott's revenues will grow by 5% per year going forward.

IRIX's revenues were well above expectations in Q1-2008. Revenues from IRIX grew from \$0.22 million to \$0.51 million, an increase of 130.3% YOY, well above our annual growth rate forecasts of 10%. Considering that revenues in FY2006 (annualized), and FY2007, were lower than revenues in FY2005, we were pleased to see the strong revenue growth in Q1-2008. According to management, the increase was primarily a result of increased businesses from real estate marketing projects and bank promotional campaigns. Since revenues are highly volatile QOQ, we would like to see revenues in Q2, before we make any changes to our forecasts.

According to our FY2008 estimates, IRIX should only contribute 6.3% of total revenues (3.7% in FY2009). Also, management has openly announced their plans to sell the division if they receive a favorable price. **Therefore, we believe, it is a good sign that IRIX's business picked up in Q1-2008, as it is possible that CIBT might end up getting a good price for IRIX.**

Margins dropped YOY: Although revenues from CIBT and IRIX increased YOY, all margins dropped in Q1-2008, partly due to a drop in gross margins, but mostly due to a significant drop in investment income and non-cash expenses (stock based compensation and financing fees).



However, the drop in margins is not a concern, because the company's margins (except gross margins) actually improved YOY, if one excludes investment income and non-cash expenses.

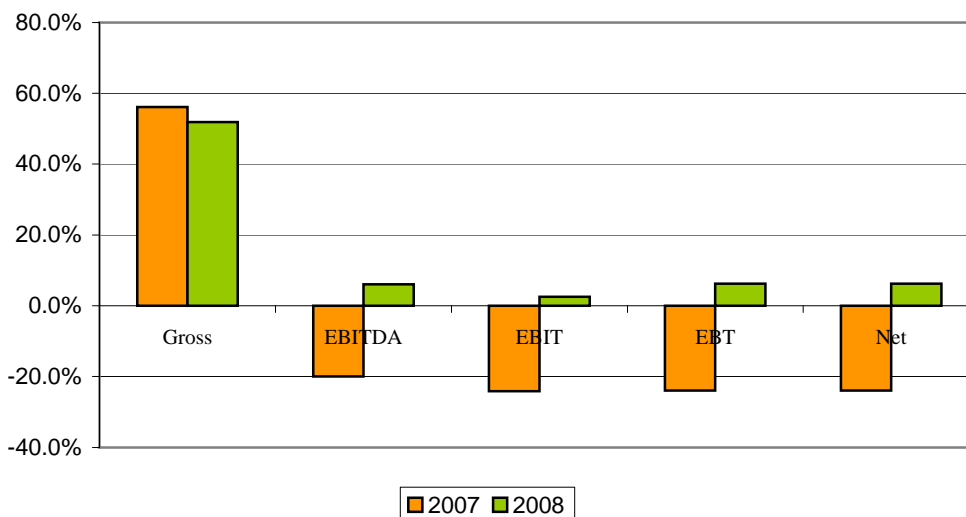
Due to lower market prices for NXMR shares, CIBT did less selling of its investment in Q1-2008. As a result, their investment income dropped YOY from \$0.99 million to \$6,198. CIBT has now decided that they will wait for higher market prices before they start selling their investments. NXMR shares are currently trading at \$0.14 per share. At the end of Sept 2007, CIBT had 5.86 million in shares (representing 7% of NXMR's total shares outstanding), which reflects a market value of \$0.82 million. Note that, in 2006, CIBT's investment value in NXMR was close to \$43.4 million (7.03 mm shares at \$6.18 per share - April 2006). As of now, we have valued the company's investment in NXMR at book value. If NXMR's share price goes up, it will have a significant impact on our valuation on the company.

Gross margins of CIBT dropped from 58.0% to 54.3%. The drop in gross margins was not expected. According to management, a slight increase in percentage of partner costs and an increase in percentage of teaching costs for more foreign instructors, led to the drop in gross margins. We have lowered our gross margins estimate for the company's organic business from 50% to 45%. However, assuming that Sprott has gross margins of 65%, we estimate net gross margins in FY2008 to be 55.5% - which is another reason why we like the SSCC acquisition.

Gross margins for IRIX dropped from 46.7% to 45.0%. Like revenues, we would like to wait and see Q2 margins, before we make any changes to our gross margin estimates for IRIX. Therefore, we have maintained our estimate at 50%.

EBITDA during Q1-2008 was (\$0.29 million) versus \$0.72 million in Q1-2007. As mentioned earlier, EBITDA dropped due to lower gross margins and investment income. **However, one very positive aspect, which is highly encouraging, is that the company has started to control their general and administrative (G&A) expenses.** G&A expenses actually stayed the same at \$1.14 million YOY, but as a percentage of sales dropped from 86% to 58%, which is a very good sign. This is highly encouraging because it shows that CPT is starting to benefit from economies of scale. We expect G&A expenses as a percentage of revenues to fall further as revenues grow.

The company also recorded non-cash expenses (stock based compensation and financing fees) of \$0.42 million (28.3% of revenues) in Q1-2008 versus nil in Q1-2007. **If one excludes investment income and non-cash expenses, the company would have posted EBITDA of \$0.06 million in Q1-2008, versus (\$0.32 million) in Q1-2007.** EBITDA margins would have been 6.1% in Q1-2008, versus -20.0% in Q1-2007. **The table below shows the significant improvement in margins YOY if investment income and non-cash expenses are excluded – which is a clear sign that operating performance has improved.**

Q1 Margins (excluding investment income and non-cash expenses)

Our EBITDA forecasts for FY2008, and FY2009, are (\$0.31 million) and \$3.74 million, respectively. Excluding non-cash expenses (stock-based compensation and financing fees), we estimate the company will post a positive EBITDA of \$0.11 million in FY2008.

CIBT posted a **net loss** of \$0.29 million (EPS: -\$0.01) in Q1-2008, versus a net profit of \$0.67 million (EPS: \$0.02) in Q1-2007. Excluding investment income and non-cash expenses, the company would have recorded a net profit of \$0.12 million versus a net loss of \$0.32 million in Q1-2007. Based on all the above-mentioned changes in our forecasts, we have lowered our EPS forecasts for FY2008, but raised our forecasts for FY2009. **As for FY2008, we lowered our forecast from a net loss of \$1.48 million (EPS: -\$0.03) to \$1.93 million (EPS: -\$0.03) in FY2008. And for FY2009, we raised our forecast from a net loss of \$0.37 million (EPS: -\$0.01) to a net profit of \$1.38 million (EPS: \$0.02). Previously, we were expecting the company to achieve profitability in FY2010.**

Cash Flows

The company raised \$1.91 million from operations in Q1-2008, up from \$1.53 million in Q1-2007. Of this, \$0.47 million were spent on property and equipment and curriculum development (\$0.18 million Q1-2007).

Financings: CIBT did not do any major financings in Q1-2008. In November 2007, in order to fund the acquisition of Sprott, CIBT had announced that they intended to raise \$7 million through a brokered and non-brokered private placement, and \$5 million through debt financing with a U.S. based institutional investor.

In January 2008, the company completed the equity portion of the financing and raised \$7.6 million by issuing 4 million units (brokered and non-brokered) at a unit price of \$1.90 per share. CIBT company also issued warrants to purchase 2 million shares at \$2.25 per share for a maturity period of 2 years. The company is yet to complete the proposed debt financing.

Considering that the company is in a strong cash position, we do not believe they need to raise additional capital in the next 12 months.

Improved cash and liquidity position

As a result of positive net cash flows in Q1-2008, the company's cash position has improved since the end of FY2007. At the end of Q1-2008, the company had cash and working capital of \$14.45 million and \$12.14 million, respectively, versus \$11.73 million and \$11.56 million at the end of FY2007.

Liquidity & Capital Structure	2005A	2006A	2007A	2008 Q1
Working Capital	\$1,187,478	\$2,326,999	\$11,561,270	\$12,137,957
Current Ratio	1.36	1.98	5.42	2.90
Debt / Assets	0.2%	1.4%	25.5%	20.0%

Although debt levels changed little, debt to assets dropped from 25.5% to 20% since the end of FY2007 due to a 28% increase in assets (from \$19.91 million to \$25.42 million). **CIBT's debt to equity at the end of Q1-2008 was 0.34, which is much lower than the average long-term debt to equity of 0.89 for the Education and Training Services Industry.**

Stock Options and Warrants

We estimate the company has about 4.26 million stock options outstanding with a weighted average exercise price of \$0.93 per share and maturity periods between June 2008 and June 2012. All the options are currently 'in-the-money'. The company also has 8.35 million warrants outstanding (4.98 million are currently 'in-the-money') with a weighted average exercise price of \$1.38 per share and maturity periods between April 2008 and December 2009.

Valuation

Based on all the revisions made in our model, our revised valuation on the company increased from \$1.70 per share to \$2.67 per share.

DCF Valuation					
in U.S.\$	2008F	2009F	2010F	2011F	2012F
FFO	(535,495)	3,791,936	5,785,908	6,766,338	9,095,764
-increase in w/c	1,301,691	1,399,867	518,639	750,852	624,179
=CFO	766,196	5,191,803	6,304,548	7,517,190	9,719,943
-capex (incl. Inv. Inc.)	(12,200,000)	(1,050,000)	(1,786,435)	(2,350,000)	(2,750,000)
=FCF	(11,433,804)	4,141,803	4,518,112	5,167,190	6,969,943
PV	(10,803,929)	3,494,318	3,403,392	3,475,292	4,185,508
	2013F	2014F	2015F	2016F	Terminal
FFO	12,041,430	15,095,192	18,558,850	22,133,951	25,907,774
-increase in w/c	1,054,444	1,109,421	1,166,177	1,224,685	1,284,903
=CFO	13,095,874	16,204,613	19,725,027	23,358,636	27,192,676
-capex (incl. Inv. Inc.)	(2,350,000)	(1,950,000)	(1,550,000)	(1,150,000)	(750,000)
=FCF	10,745,874	14,254,613	18,175,027	22,208,636	26,442,676
PV	5,761,593	6,823,988	7,768,549	8,475,566	112,126,873
Discount Rate	12.0%				
Terminal Growth	3.0%				
Present Value (in US\$)	\$144,711,149				
Cash - Debt (US\$)	\$ 16,756,569				
Value of CAG (US\$)	\$161,467,718				
Value of CAG (C\$)	\$180,843,845				
Shares O/S (diluted)	67,639,571				
Value per share (C\$)	\$ 2.67				

Our revised relative valuation on the company increased from \$1.49 per share to \$2.71 per share.

Comparables Valuation		
	Industry	Fair Value
P/B	11.9	\$2.57
P/S	4.5	\$2.80
P/E	39.0	n.a
	Average	\$2.69

Fair Value of CAG	
Value of the Business	\$2.69
Value of NXMR Investment	\$0.02
Implied Value of CPT	\$2.71

Rating

Based on our revised valuation models and review of the impact of the acquisition of Sprott, we are raising our fair value estimate on the company from \$1.70 per share to \$2.70 per share, and upgrading our rating to BUY from HOLD.

Risks

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

Change in Chinese government policy: Any change in the Chinese government's policy of encouraging private and foreign players could have an adverse impact on the company.

Downturn in advertising industry may affect growth: A downturn in the advertising industry, which is highly dependant on economic conditions, may affect the growth prospects of IRIX.

Change in exchange rates: CPT has operations in China, Canada and the U.S. Therefore; the company is susceptible to unfavorable exchange rate fluctuations. Currently, the company does not adopt any measures to reduce its exposure to foreign currency risks.

Liquidity problems: As a small cap stock, investors may face liquidity problems.

Appendix

CONSOLIDATED STATEMENTS OF OPERATIONS

(in U.S. dollars)

FY2004-05 (YE - Dec 31); FY2006-08 (YE - Jun 30)

	2005A	2006A	2007A	2008F	2009F
	6 mo				
REVENUES					
Educational CIBT	2,757,464	1,763,953	6,194,085	22,577,177	41,946,348
Design and advertising IRIX	1,314,716	559,415	1,293,631	1,422,994	1,565,294
Total Revenues	4,072,180	2,323,368	7,487,716	24,000,172	43,511,642
DIRECT COSTS					
Educational CIBT	1,509,174	1,226,013	3,324,718	9,157,448	15,722,929
Design and advertising IRIX	683,186	271,563	724,386	711,497	782,647
Total Direct Costs	2,192,360	1,497,576	4,049,104	9,868,945	16,505,576
Gross Profit	1,879,820	825,792	3,438,612	14,131,227	27,006,066
Consulting Income	117,056	248,990	723,624	276,923	-
Investment income from sale of marketable securities	301,116	1,108,073	1,402,101	(154,327)	(154,327)
Total Net revenues	2,297,992	2,182,855	5,564,337	14,253,823	26,851,739
EXPENSES					
Stock-based compensation	356,016	123,004	187,990	295,406	295,406
General and administrative	2,761,292	1,623,727	4,710,025	14,146,028	22,814,130
Finance Fees	18,386	-	134,102	120,694	-
Total Expenses	3,135,694	1,746,731	5,032,117	14,562,128	23,109,536
EBITDA	(837,702)	436,124	532,220	(308,304)	3,742,203
Amortization	178,815	103,301	256,387	1,118,017	2,079,461
EBIT	(1,016,517)	332,823	275,833	(1,426,322)	1,662,742
Interest on long-term debt			(129,562)	(400,000)	(400,000)
Interest Income	14,293	8,206	196,548		
Loss on disposal of property, plant and equipment	(10,366)	(7,171)	(8,430)		
Gain(Loss) resulting from change in ownership of subsidiaries	508,005	(81,294)	128,301		
Non-controlling interests in loss for the year	(86,344)	22,850	(51,451)	(99,843)	116,392
EBT	(590,929)	275,414	411,239	(1,926,164)	1,379,134
Operating loss from discontinued operations	(107,509)	-	-	-	-
Gain on sale of discontinued operations	402,341	-	-	-	-
Net Profit (Loss) before tax	(296,097)	275,414	411,239	(1,926,164)	1,379,134
Taxes	-	-	215,079	-	-
Net Profit (Loss)	(296,097)	275,414	196,160	(1,926,164)	1,379,134
Surplus(Deficit), Beginning of Year	(14,691,749)	(14,987,846)	(14,712,432)	(14,516,272)	(16,442,436)
Surplus(Deficit), End of Year	(14,987,846)	(14,712,432)	(14,516,272)	(16,442,436)	(15,063,302)
EPS	(0.01)	0.01	0.00	(0.03)	0.02

CONSOLIDATED BALANCE SHEETS

(in U.S. dollars)

FY2004-05 (YE - Dec 31); FY2006-08 (YE - Jun 30)

	2005A	2006A	2007A	2008F	2009F
ASSETS					
CURRENT					
Cash and short-term investments	2,420,505	2,744,630	11,734,512	9,691,992	16,762,900
Accounts receivable	659,525	914,288	651,300	2,087,594	3,784,750
Prepays and other	602,865	169,748	268,741	861,388	1,561,673
Marketable securities (NXMR)	779,899	876,308	1,522,703	868,376	214,050
Total Current Assets	4,462,794	4,704,975	14,177,256	13,509,351	22,323,372
Due from Related Parties		126,510	-	-	-
Property and Equipment	705,196	887,747	1,069,182	12,378,805	11,626,984
Intangible Assets	363,482	363,479	349,659	322,019	294,379
Goodwill	-	-	4,150,046	4,427,580	4,427,580
Investment in NXMR	504,971	596,710	-	-	-
Promissory Note Receivable	-	-	-	-	-
Deferred Cur. Dev. Costs & Other Assets	111,789	247,423	163,554	463,554	713,554
Total Assets	6,148,232	6,926,844	19,909,697	31,101,308	39,385,869
LIABILITIES					
CURRENT					
Accounts payable and accrued liabilities	1,031,660	1,289,070	1,503,364	3,664,173	6,128,242
Deferred revenue	1,274,124	385,431	423,248	1,639,956	2,973,194
Unearned consulting fees	851,509	633,144	276,923	-	-
Lease obligation	5,184	16,972	17,946	18,761	16,467
Convertible debentures and other loans payable	-	-	-	-	-
Incomer Tax Payable	-	-	230,043	230,043	230,043
Current portion of the long-term debt	-	-	80,375	80,375	5,000,000
Due to related parties	112,839	53,359	84,087	37,203	37,203
Total Current Liabilities	3,275,316	2,377,976	2,615,986	5,670,510	14,385,149
Lease Obligation	9,515	78,622	64,677	40,545	24,078
Long-term Debt	-	-	2,952,530	3,159,215	-
Loan Payable	-	-	-	-	-
Non-controlling interests	862,867	836,901	617,372	1,183,085	1,066,693
SHAREHOLDERS EQUITY					
Share capital	16,658,208	17,977,570	26,851,807	35,518,742	38,546,983
Unrealized Foreign Exchange Losses	(162,730)	(180,570)	525,172	525,172	525,172
Contributed surplus	729,714	844,292	2,180,249	2,188,595	643,216
Treasury shares held	(236,812)	(295,515)	(1,381,824)	(742,119)	(742,119)
Accumulated Comprehensive loss	-	-	-	-	-
Deficit	(14,987,846)	(14,712,432)	(14,516,272)	(16,442,436)	(15,063,302)
Total shareholders' equity (deficiency)	2,000,534	3,633,345	13,659,132	21,047,954	23,909,950
Total Liabilities and Shareholders Equity	6,148,232	6,926,844	19,909,697	31,101,308	39,385,869

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in U.S. dollars)

FY2004-05 (YE - Dec 31); FY2006-08 (YE - Jun 30)

	2005A	2006A	2007	2008F	2009F
		6 mo			
CASH FLOWS FROM OPERATING ACTIVITIES					
Net Profit (Loss) for the year	(590,929)	275,414	196,610	(1,926,164)	1,379,134
Adjusted for items not involving cash:					
- amortization	248,284	106,203	277,128	1,118,017	2,079,461
- amortization of consulting revenue	(117,056)	(248,990)	(723,624)	(276,923)	-
- amortization of deferred curriculum costs					
- gain on sale of marketable securities	(301,116)	(1,108,073)	(1,402,101)	154,327	154,327
- stock-based compensation	356,016	123,004	187,990	295,406	295,406
- non-cash interest and finance fees & others	-	(1,510)	70,832	-	-
- write-off of deferred finance fees			68,799	-	-
- loss on disposal of property, plant and equipment	10,366	7,171	8,430	-	-
- loss(gain) on CIBT share issuances and purchases	(508,005)	81,294	(128,301)	-	-
- non-controlling interests	86,344	(22,850)	51,451	99,843	(116,392)
- non-cash foreign exchange gain	(26,074)	2,133	(110,782)	-	-
Funds From Operations	(842,170)	(786,204)	(1,504,018)	(535,495)	3,791,936
Net changes in non-cash working capital items	(187,950)	(417,100)	624,611	1,301,691	1,399,867
Discontinued Operations	(233,896)	-	-	-	-
NET CASH USED IN OPERATING ACTIVITIES	(1,264,016)	(1,203,304)	(879,407)	766,196	5,191,803
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of property and equipment	(331,209)	(270,744)	(357,209)	(12,400,000)	(1,300,000)
Cash acquired on reverse takeover of SEG Equities		-		-	-
Proceeds from sale of SEG shares	450,000	-		-	-
Promissory Note Receivables			287,214		
Sale and acquisition of CIBT shares	(113,619)	(232,708)	(21,183)	-	-
Net Cash used in marketable securities transaction	(21,254)	991,056	1,707,416	500,000	500,000
CIBT curriculum development costs	(46,318)	(14,326)	(36,411)	(300,000)	(250,000)
NET CASH USED IN INVESTING ACTIVITIES	(62,400)	473,278	1,579,827	(12,200,000)	(1,050,000)
CASH FLOWS FROM FINANCING ACTIVITIES					
Cash from equity and debt issuances	387,554	1,310,936	8,373,225	8,389,401	3,028,241
Acquisition of the Company's shares into treasury, net	(151,010)	(58,703)	(936,550)	639,705	-
Advances (to) from related parties	88,428	(63,024)	11,890		-
Lease obligation repayments	(8,903)	(17,111)	(17,257)	(23,317)	(18,761)
Proceeds from shares issued to non-controlling interests in CIBT	978,024		117,602	-	-
Proceeds from shares issued to non-controlling interests in AIMI				465,870	
Restricted cash and other deposits					
Convertible debenture proceeds (repayments), net	-			(80,375)	(80,375)
Funds from loan advances			978,553		
Deferred finance fees	(25,886)	(102,218)	(971,813)	-	-
NET CASH FROM FINANCING ACTIVITIES	1,268,207	1,069,880	7,555,650	9,391,284	2,929,105
Effects of Exchange Rate Changes in Cash	77,629	(15,729)	733,812		
INCREASE IN CASH FOR THE YEAR	19,420	324,125	8,989,882	(2,042,520)	7,070,908
CASH, BEGINNING OF THE YEAR	2,401,085	2,420,505	2,744,630	11,734,512	9,691,992
CASH, END OF THE YEAR	2,420,505	2,744,630	11,734,512	9,691,992	16,762,900

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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