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Investment Analysis for Intelligent Investors

July 18, 2008

CIBT Education Group Inc. (AMEX: MBA; TSXV: MBA) – Expanding to Travel and Tourism, and Gaming Management Programs; Expecting more acquisitions

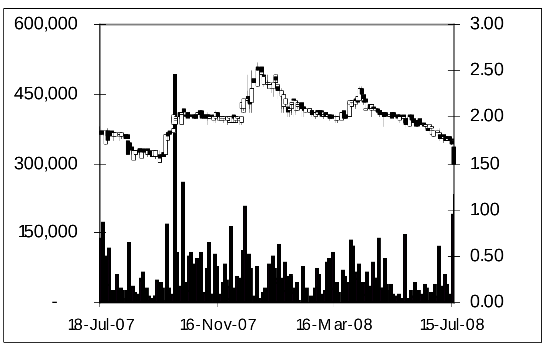
Sector/Industry: Education & Media Communication

www.cibt.net

Market Data (as of July 18, 2008)

Current Price	**US$ 1.48**
Fair Value	**US$ 2.55 (↑)**
Rating*	**BUY**
Risk*	**3 (Average)**
52 Week Range	N/A
Shares O/S	63,829,297
Market Cap	C$94.47 million
Current Yield	N/A
P/E (forward)	N/A
P/B	2.42
YoY Return	-19.1%
YoY TSX-V	-30.7%

*See back of report for rating and risk definitions



TSXV: MBA

Q3-2008 Highlights

- CIBT's most recent acquisitions indicated their intentions to expand course offerings to travel and tourism, and gaming management. Both these industries are experiencing significant growth in China, and the demand for trained people in these industries is growing.
- In April 2008, CIBT announced the acquisition of certain business assets of Tourism Training Institute (TTI), an accredited education institution based in Vancouver, Canada, with branch offices in Beijing, China. Also, in May 2008, CIBT announced they signed a LOI with Tulane University's School of Continuing Studies in New Orleans, Louisiana, whereby Tulane's gaming management programs will be introduced into CIBT's schools.
- Because of the benefits, we expect to see more such acquisitions (of specialized education providers) from CIBT going forward.
- CIBT was featured in a case study conducted by The Observatory on Borderless higher Education as one of three successful foreign education providers in China, along with the Stanford Centre for Professional Development and Missouri State University.
- Q3 results were almost in line with expectations. CIBT recorded organic growth of 30.5% YOY; 29% of which came from an increase in revenues per student. IRIX continued to show strong YOY improvement. The company continues to be in a solid cash position. We are not expecting any share dilution in the near term, unless the company decides to pursue more major acquisitions.

Key Financial Data

(in U.S.dollars)	2005	2006 (6 mo)	2007	2008E (14 mo)	2009E
Revenues	4,072,180	2,323,368	7,487,716	26,707,854	44,688,491
EBITDA	(819,316)	436,124	666,322	(1,231,272)	4,003,288
EBITDA Margin	-20.1%	18.8%	8.9%	-4.6%	9.0%
Net Income	(296,097)	275,414	196,160	(932,731)	2,900,529
EPS (Basic)	(0.01)	0.01	0.01	(0.01)	0.04
Assets	6,148,232	7,799,064	19,909,697	52,117,886	61,675,410
Debt to Assets	0.2%	1.4%	25.5%	2.0%	1.7%
ROE	-14.8%	6.7%	1.4%	-2.1%	5.7%

FY2005 (YE - Dec 31);FY2006-07 (YE - Jun 30);FY2008-09 (YE - Aug 31)

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 on is primarily focused in China and Canada.

Acquires Selective Assets of Tourism Training Institute

In April 2008, CIBT announced the acquisition of certain business assets, including licenses and approvals, of Tourism Training Institute (TTI), an accredited education institution based in Vancouver, Canada, with branch offices in Beijing, China. TTI (a private company) offers specialized degree and diploma programs such as hotel management, travel tourism, gaming and resort management, convention management, flight attendant training and other hospitality programs. The company has been in operation for 19 years in Vancouver, and for 4 years in China.

The most valuable asset for CIBT in this acquisition is TTI's exclusive distribution rights for the Educational Institute of the American Hotel & Lodging Association (AH&LA-EI) and its Chinese language curricula. AH&LA is regarded as the largest supplier of hospitality resources and certification in the world. Over 1,400 universities and colleges worldwide use their programs and resources. EI has about 110 licensed affiliates in 60 countries, and holds exclusive license agreements in 17 countries.

TTI recently renewed their agreement with the AH&LA-EI for exclusive distribution rights within China. CIBT will now start offering TTI's programs (including AH&LA-EI programs) at their network of education institutions in China. The following are the major benefits of this acquisition for CIBT:

- CIBT does not have to partner with universities/colleges in North America or Europe to provide programs related to travel and tourism in China and Asia-Pacific. This will result in a significant improvement in gross margins, as CIBT no longer has to share revenues with its partners.
- This acquisition allows the company to **expand their course offerings** to travel and tourism related programs.
- CIBT has a broad network of education institutions in China, with plans to expand to other parts of Asia. TTI's programs will receive more exposure and distribution through CIBT's network.
- **The travel and tourism industry in China is estimated to grow at 9.6% per year over the next decade:** According to the World Travel & Tourism Council (WTTC), Travel & Tourism created over 231 million jobs worldwide in 2007, making it one of the world's largest industry employers. About 31% of those jobs (72 million) came from China alone, the top employer in the world in this industry. China's Travel and Tourism industry, which accounted for 12.2% of GDP, was the fourth largest in the world, behind the U.S., Japan and Germany, in 2007.

  WTTC expects the Travel and Tourism industry in China to climb to the second position by 2017, as it grows at 9.6% per annum over the next decade. In order to meet this demand, China will have to train millions of people over the next decade. CIBT identified this opportunity, and, through this acquisition, will try to capitalize on the strong demand in this industry.

CIBT has retained TTI's senior management team to continue their TTI operations and expand this new division for CIBT. CIBT did not disclose the acquisition price or TTI's annual revenues. Therefore, we cannot comment on the valuation of this particular acquisition, but based on the advantages mentioned earlier, we believe this acquisition was a very good move by CIBT. Also, we expect to see more such acquisitions (of specialized education providers) from CIBT going forward. In February 2008, the company had announced their intention to acquire a 75% interest in a leading healthcare education provider in Canada (the deal has yet to be finalized; due diligence is ongoing).

Signs LOI with Tulane University

In May 2008, CIBT announced that they signed a LOI with Tulane University's School of Continuing Studies in New Orleans, Louisiana, whereby Tulane's gaming management programs will be introduced into CIBT's schools in China and in the future, into all Pan-Asia campuses.

The gaming industry in China is growing at a fast pace. Macau is now the world's number one gaming destination, with gaming revenues expected to double in the next three years (according to the American Gaming Association). Foreign casino operators including Las Vegas Sands Corp (NYSE: LVS) and Wynn Resorts Overseas (NASDAQ: WYNN) are investing at least $25 billion building casinos and hotels in the city. According to Globalysis Ltd., a boutique strategy consultancy on the global travel and leisure sector, gaming revenues in Macau could grow by 29% this year (versus 46% in 2007).

All these forecasts imply strong demand in China for trained people in the gaming industry. The agreement with Tulane offers CIBT the opportunity to cater to this need.

Featured in Case Study

CIBT was featured in a case study conducted by The Observatory on Borderless higher Education. The Observatory is a joint initiative between the Association of Commonwealth Universities and Universities in the UK. The case study includes an analysis on three successful foreign education providers in China, namely CIBT, Stanford Centre for Professional Development and Missouri State University.

The reference to CIBT in this case study is a positive sign as it indicates the solid track record of the company in China.

Review of Q3 results

In June 2008, CIBT announced that it changed the date of its fiscal year end from June 30 to August 31. We believe this change was made to coincide with the fiscal year end date of SSCC. The change in fiscal year end implies that FY2008 will be a 14 month period. We have revised our forecasts accordingly.

Q3-2008 revenues increased by 414%YOY, from $1.73 million to $8.90 million. 95% of revenues in Q3 came from CIBT, 5% came from IRIX. CIBT revenues grew by 446% YOY, and IRIX revenues grew by 140% YOY.

For the nine-month period in FY2008, revenues were up 183% YOY, as revenues grew from $4.93 million to $13.97 million. Segmented results follow.

CIBT and SSCC – As shown in the table, CIBT recorded impressive YOY organic growth of 31% in Q3-2008 (from $1.55 million to $2.02 million). Revenues from SSCC (acquired in December 2007) were $6.44 million in Q3-2008. For the nine-month period in FY2008, organic revenues were up by 32% YOY (from $4.18 million to $5.51 million).

	3 mo ended			9 mo ended		
	Mar-07	Mar-08	Growth (YOY)	Mar-07	Mar-08	Growth (YOY)
CIBT	$1,549,371	$2,023,884	30.6%	$4,182,040	$5,510,104	31.8%
SSCC*	n.a.	$6,435,499	n.a.	n.a.	$6,953,702*	n.a.

* Revenues during Dec 17, 2007 - Mar 31, 2008

CIBT: Organic growth came primarily from a significant increase in revenues per student, and not from an increase in student enrollments. Student enrollments at the end of March 2008 were 3,272, up only 2.5% YOY. However, annualized revenues per student increased from $1,746 to $2,245, an increase of 29% YOY. The increase in revenues per student was primarily due to increased revenues from the company's 2+2 programs (2 years with CIBT in China, and 2 years overseas with one of their international partners), which is one of the most profitable programs for CIBT (because of their higher tuition fees).

SSCC: SSCC posted $6.44 million in revenues in Q3. Since we do not know comparable revenues in the previous year, we are not in a position to comment on SSCC's YOY performance. At the end of Q3, CIBT recorded $10.77 million in deferred revenues, most of which, we believe, is associated with SSCC. SSCC's reported revenues were slightly lower than our expectations, but reported revenues, combined with deferred revenues at the end of Q3-2008, were close to our estimates.

Since the company decided to change their year-end from June 30 to August 31, we have revised our revenue forecast for CIBT and SSCC for FY2008 (14 month period) to $24.44 million (previous estimate for 12 months was $23.69 million). We have maintained our forecast for FY2009 at $42.55 million.

SSCC acquisition improves gross margins - Combined gross margins for CIBT and SSCC were 53.1% in Q3-2008 (up from 42.6% in Q3-2007), and 53.8% in the first nine months of FY2008 (up from 49.6% in the nine month period in FY2007). The improvement in gross margins was primarily due to SSCC, and partially due to an increased focus on 2+2 programs.

Although the company did not disclose segmented results, we estimate SSCC's gross margins (during December 17, 2007 to March 31, 2008) were around 57%, which is lower than our annual gross margin estimate of 65% (this is based on the assumption that CIBT's YOY improvement in gross margins in Q3 was in line with the first six months). However, it is also possible that, like CIBT, SSCC typically has lower gross margins in Q3 and Q4. Therefore, we cannot really determine if SSCC's gross margins dropped YOY. We have to wait and see its performance in the next few quarters to get a reasonable estimate of their margins. We have maintained our long-term estimates at 65% for now.

We have lowered our gross margins forecasts for CIBT from 59.5% to 52.2% in FY2008, and from 62.4% to 62.2% in FY2009.

IRIX continues to report strong revenue growth

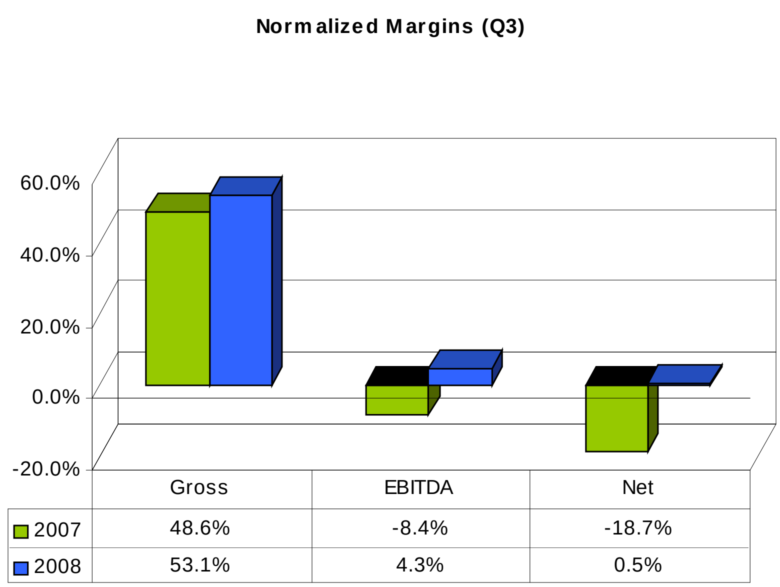
IRIX continued to report strong YOY revenue growth. In Q3-2008, revenues increased by 140%YOY, from $0.18 million to $0.44 million. In the nine month period, revenues increased by 100%YOY, from $0.75 million to $1.50 million. The increase was primarily a result of increased business from real estate marketing projects and bank promotional campaigns.

IRIX	3 mo ended			9 mo ended		
	Mar-07	Mar-08	Growth (YOY)	Mar-07	Mar-08	Growth (YOY)
Revenues	$182,527	$438,554	140.3%	$749,797	$1,502,443	100.4%
Gross Margins	99.2%	54.5%		68.3%	43.5%	

Gross margins continued to decline YOY (44% in the nine month period in FY2008 versus 68% in the comparable period in the previous year), however, they were in line with our estimates. We raised our revenue forecast for FY2008 to $2.26 million (up from $1.94 million) to account for the change in fiscal year end. We have maintained our gross margin forecasts, and revenues for FY2009.

Normalized margins improved YOY

General and Administrative (G&A) expenses were in line with estimates in Q3. G&A expenses were $4.04 million in Q3-2008, or 45.4% of revenues, down from 50.4% in Q3-2007. For the nine-month period, G&A expenses as a percentage of sales were down YOY from 61.80% to 53.2%. As a result of the YOY improvement in gross margins, and drop in G&A costs as a percentage of sales, normalized Q3 margins (which exclude investment and consulting income) improved YOY (as shown in the chart below).



In Q3-2008, normalized EBITDA improved from ($0.15 million) to $0.39 million, and normalized earnings improved from a net loss of $0.32 million to net income of $0.05 million.

However, the company recorded $859 from consulting income and nil from investment come in Q3-2008, versus a total of $0.40 million from consulting and investment income in Q3-2007. As a result, reported EPS dropped from $0.07 million (EPS: $0.00) in Q3-2007, to $0.05 million (EPS: $0.00) in Q3-2008. For the nine-month period in FY2008, the company recorded a net loss of $0.36 million (EPS: -$0.01) versus net income of $1.10 million ($0.03) in the comparable period in the previous year.

Our revised EPS forecasts for FY2008 (14 mo), and FY2009, are a net loss of $0.93 million (EPS: -$0.01) and net profit of $2.90 million (EPS: $0.04). Our previous forecasts were net loss of $0.44 million (EPS: -$0.01) in FY2008 (12 mo) and a net profit of $1.94 million (EPS: $0.03) in FY2009. We lowered our estimate of depreciation expenses in FY2009 (from $2 million to $1.03 million), which resulted in a higher EPS forecast for FY2009.

Cash Flows

In Q3, CIBT generated $0.64 million from operations (they spent $6,412 on operations in Q3-207), and spent $2.31 million on working capital ($1.27 million in Q3-2007). CIBT also spent $0.27 million on capital expenditures ($0.07 million in Q3-2007). All these expenditures were primarily funded by cash on hand and cash from operations.

Strong Balance Sheet

At the end of Q3-2008, the company had $10.47 million in cash and $4.03 million in working capital. The company's cash and liquidity position is shown below.

Liquidity & Capital Structure	**2005A**	**2006A**	**2007A**	**2008 Q3**
Working Capital	$1,187,478	$2,326,999	$11,561,270	$4,030,750
Current Ratio	1.36	1.98	5.42	1.29
Debt / Assets	0.2%	1.4%	25.5%	1.8%

Total debt represented only 1.8% of assets. The company continues to be in an excellent cash position, and we do not believe the company needs to raise additional capital in the next 12 months (unless they plan to pursue major acquisitions).

Stock Options and Warrants

As at April 30, 2008, the company had 4.02 million stock options outstanding (all of them are currently 'in-the-money"), with a weighted average exercise price of $0.94 and maturity dates between June 2008 and June 2012. The company also had 5.42 million warrants (3.16 million are currently 'in-the-money') with a weighted average exercise price of $1.40, and maturity periods between February 2009 and January 2010.

Valuation

We did not make any major revisions in our valuation model. Our revised valuation on the company is C$2.85/US$2.55, compared to our previous estimate of C$2.81/US$2.51. Our revised value per share went up as we lowered our estimate of the number of diluted shares from 67.83 million to 66.74 million.

DCF Valuation in U.S$	**2008F**	**2009F**	**2010F**	**2011F**	**2012F**
FFO	52,760	4,986,097	6,353,808	7,310,709	9,533,501
-increase in w/c	2,927,865	397,869	1,535,872	654,674	624,922
=CFO	2,980,624	5,383,966	7,889,680	7,965,383	10,158,423
-capex (incld. Inv. Inc.)	(2,154,732)	(2,300,000)	(2,700,000)	(2,350,000)	(2,750,000)
=FCF	825,892	3,083,966	5,189,680	5,615,383	7,408,423
PV	780,395	2,601,852	3,909,268	3,776,733	4,448,818

	2013F	**2014F**	**2015F**	**2016F**	**Terminal**
FFO	12,528,408	15,630,070	19,130,719	22,789,208	26,612,727
-increase in w/c	1,048,463	1,103,622	1,160,638	1,219,497	1,280,168
=CFO	13,576,871	16,733,691	20,291,357	24,008,705	27,892,894
-capex (incld. Inv. Inc.)	(2,350,000)	(1,950,000)	(1,550,000)	(1,150,000)	(750,000)
=FCF	11,226,871	14,783,691	18,741,357	22,858,705	27,142,894
PV	6,019,489	7,077,270	8,010,615	8,723,654	115,096,058

Discount Rate	12.0%
Terminal Growth	3.0%
Present Value (in US$)	$ 160,444,152
Cash - Debt (US$)	$ 9,438,807
Value of CAG (US$)	$ 169,882,959
Shares O/S (diluted)	66,742,369
Value per share (US$)	**$2.55**

The table below shows the company's valuation metrics compared to a few major industry players. Revenues and valuation metrics presented in the table below are based on current FY2009E (Source: Reuters).

Relative Valuation - based on 2009E

	Market Cap	**Revenues**	**P/S**	**P/EBITDA**	**P/E**	**P/Tang. BV**
Apollo Group	9,311	3,505	2.66	10.13	17.54	18.56
DeVry Inc.	3,793	1,240	3.06	14.98	23.11	10.42
ITT Educational Services	3,257	1,100	2.96	9.67	16.69	74.54
Strayer Education	2,983	457	6.53	19.75	32.30	18.49
New Oriental Education & Technology Group Inc	2,725	272	10.02	36.51	41.79	9.24
Career Education	1,350	1,765	0.76	7.05	15.93	2.86
Corinthian College	1,069	1,211	0.88	8.79	24.15	5.72
Capella Education Co	981	333	2.95	14.27	25.72	6.88
Universal Technical Institute	341	358	0.95	9.17	25.90	3.98
CIBT Education Group	**94**	**45**	**2.11**	**23.60**	**32.57**	**13.83**
Average*			**2.54**	**13.05**	**23.77**	**10.0**

**does not include EDU as it is an outlier*

Source: Reuters

Rating As shown in the table above, MBA's shares are undervalued based on P/S, but is overvalued based on the P/EBITDA, P/E and P/tangible BV. Investors should note that CIBT is much smaller in size relative to the other players included in this analysis, and therefore, we believe, their valuation multiples based on FY2009E do not really reflect the true potential of the company. We have continued to base our fair value estimate on our DCF valuation.

Risks **Therefore, based on our revised valuation models and review of the company's Q3 results, we reiterate our BUY rating, and raise our fair value estimate slightly from C$2.81/US$2.51 to C$2.85/US$2.55.**

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)

FY2005 (YE - Dec 31);FY2006-07 (YE - Jun 30);FY2008-09 (YE - Aug 31)	2005A	2006A 6 mo	2007A	2008F 14 mo	2009F
REVENUES					
Educational CIBT	2,757,464	1,763,953	6,194,085	24,444,000	42,554,000
Design and advertising IRIX	1,314,716	559,415	1,293,631	2,263,854	2,134,491
Total Revenues	**4,072,180**	**2,323,368**	**7,487,716**	**26,707,854**	**44,688,491**
DIRECT COSTS					
Educational CIBT	1,509,174	1,226,013	3,324,718	11,685,393	16,080,070
Design and advertising IRIX	683,186	271,563	724,386	1,358,313	1,067,246
Total Direct Costs	**2,192,360**	**1,497,576**	**4,049,104**	**13,043,706**	**17,147,316**
Gross Profit	**1,879,820**	**825,792**	**3,438,612**	**13,664,149**	**27,541,176**
Consulting Income	117,056	248,990	723,624	290,211	-
Investment income from sale of marketable securities	301,116	1,108,073	1,402,101	6,198	-
Total Net revenues	**2,297,992**	**2,182,855**	**5,564,337**	**13,960,558**	**27,541,176**
EXPENSES					
Stock-based compensation	356,016	123,004	187,990	1,310,412	982,809
General and administrative	2,761,292	1,623,727	4,710,025	13,881,418	22,555,079
Total Expenses	**3,117,308**	**1,746,731**	**4,898,015**	**15,191,830**	**23,537,888**
EBITDA	**(819,316)**	**436,124**	**666,322**	**(1,231,272)**	**4,003,288**
Amortization	178,815	103,301	256,387	488,017	1,026,437
EBIT	**(998,131)**	**332,823**	**409,935**	**(1,719,290)**	**2,976,850**
Non-Recurring Consulting and Other Income				208,063	-
Impairment of Goodwill					-
Write-off of deferred finance fees	(18,386)		(134,102)	(2,047,471)	-
Interest on long-term debt			(129,562)	(267,464)	
Interest Income	14,293	8,206	196,548		
Loss on disposal of property, plant and equipment	(10,366)	(7,171)	(8,430)	-	-
Gain of disposal of subsidiaries				-	-
Gain(Loss) resulting from change in ownership of subsidiaries	508,005	(81,294)	128,301	2,916,905	-
Non-controlling interests in loss for the year	(86,344)	22,850	(51,451)	(23,474)	(76,322)
EBT	**(590,929)**	**275,414**	**411,239**	**(932,731)**	**2,900,529**
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**	**(932,731)**	**2,900,529**
Taxes	-	-	215,079	-	-
Net Profit (Loss)	**(296,097)**	**275,414**	**196,160**	**(932,731)**	**2,900,529**
Surplus(Deficit), Beginning of Year	(14,691,749)	(14,987,846)	(14,712,432)	(14,516,272)	(15,449,003)
Surplus(Deficit), End of Year	(14,987,846)	(14,712,432)	(14,516,272)	(15,449,003)	(12,548,474)
EPS	**(0.01)**	**0.01**	**0.01**	**(0.01)**	**0.04**

CONSOLIDATED BALANCE SHEETS					
(in U.S. dollars)					
FY2005 (YE - Dec 31);FY2006-07 (YE - Jun 30);FY2008-09 (YE - Aug 31)	**2005A**	**2006A**	**2007A**	**2008F**	**2009F**
ASSETS					
CURRENT					
Cash and short-term investments	2,420,505	2,744,630	11,734,512	11,454,551	17,529,171
Accounts receivable	659,525	914,288	651,300	2,323,115	3,887,115
Prepaids and other	602,865	169,748	268,741	958,569	1,603,911
Marketable securities (NXMR)	779,899	876,308	1,522,703	351,769	351,769
Total Current Assets	**4,462,794**	**4,704,975**	**14,177,256**	**15,088,005**	**23,371,967**
Due from Related Parties		126,510	-	-	-
Property and Equipment	705,196	887,747	1,069,182	4,608,650	5,659,852
Intangible Assets	363,482	363,479	349,659	322,019	294,379
Goodwill	-		4,150,046	31,835,658	31,835,658
Investment in NXMR	504,971	596,710	-		
Promissory Note Receivable			-	-	
Deferred Cur. Dev. Costs & Other Assets	111,789	247,423	163,554	263,554	513,554
Total Assets	**6,148,232**	**6,926,844**	**19,909,697**	**52,117,886**	**61,675,410**
LIABILITIES					
CURRENT					
Accounts payable and accrued liabilities	1,031,660	1,289,070	1,503,364	3,260,926	5,326,669
Deferred revenue	1,274,124	385,431	423,248	2,512,141	3,053,609
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	-		-	-	-
Income Tax Payable			230,043	230,043	230,043
Current portion of the long-term debt			80,375		
Due to related parties	112,839	53,359	84,087	25,965	25,965
Total Current Liabilities	**3,275,316**	**2,377,976**	**2,615,986**	**6,047,836**	**8,652,753**
Lease Obligation	9,515	78,622	64,677	1,040,390	1,023,923
Long-term Debt			2,952,530		
Loan Payable					
Non-controlling interests	862,867	836,901	617,372	1,171,544	1,247,866
SHAREHOLDERS EQUITY					
Share capital	16,658,208	17,977,570	26,851,807	56,895,998	59,905,413
Unrealized Foreign Exchange Losses	(162,730)	(180,570)	525,172	525,172	525,172
Contributed surplus	729,714	844,292	2,180,249	3,932,189	4,914,998
Treasury shares held	(236,812)	(295,515)	(1,381,824)	(869,109)	(869,109)
Accumulated Comprehensive loss				(1,177,132)	(1,177,132)
Deficit	(14,987,846)	(14,712,432)	(14,516,272)	(15,449,003)	(12,548,474)
Total shareholders' equity (deficiency)	**2,000,534**	**3,633,345**	**13,659,132**	**43,858,116**	**50,750,869**
Total Liabilities and Shareholders Equity	**6,148,232**	**6,926,844**	**19,909,697**	**52,117,886**	**61,675,410**

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in U.S. dollars)

FY2005 (YE - Dec 31);FY2006-07 (YE - Jun 30);FY2008-09 (YE - Aug 31)	2005A	2006A 6 mo	2007	2008F 14 mo	2009F
CASH FLOWS FROM OPERATING ACTIVITIES					
Net Profit (Loss) for the year	(590,929)	275,414	196,610	(932,731)	2,900,529
Adjusted for items not involving cash:					
- amortization	248,284	106,203	277,128	488,017	1,026,437
-amortization of consulting revenue	(117,056)	(248,990)	(723,624)	(290,211)	-
- amortization of deferred curriculum costs					
-gain on sale of marketable securities	(301,116)	(1,108,073)	(1,402,101)	(6,198)	-
- stock-based compensation	356,016	123,004	187,990	1,310,412	982,809
- non-cash interest and finance fees & others	-	(1,510)	70,832	-	-
- write-off of deferred finance fees		-	68,799	2,047,471	-
- 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)	(2,916,905)	-
- non-controlling interests	86,344	(22,850)	51,451	23,474	76,322
- non-cash foreign exchange gain	(26,074)	2,133	(110,782)	-	-
Funds From Operations	**(842,170)**	**(786,204)**	**(1,504,018)**	**(276,670)**	**4,986,097**
Net changes in non-cash working capital items	(187,950)	(417,100)	624,611	1,484,812	397,869
Discontinued Operations	(233,896)	-		-	-
NET CASH USED IN OPERATING ACTIVITIES	**(1,264,016)**	**(1,203,304)**	**(879,407)**	**1,208,141**	**5,383,966**
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition and PP&E	(331,209)	(270,744)	(357,209)	(10,500,000)	(2,050,000)
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	-	-
CIBT curriculum development costs	(46,318)	(14,326)	(36,411)	(100,000)	(250,000)
NET CASH USED IN INVESTING ACTIVITIES	**(62,400)**	**473,278**	**1,579,827**	**(10,600,000)**	**(2,300,000)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Cash from equity and debt issuances	387,554	1,310,936	8,373,225	8,741,301	3,009,415
Acquisition of the Company's shares into treasury, net	(151,010)	(58,703)	(936,550)	512,715	-
Advances (to) from related parties	88,428	(63,024)	11,890	(58,122)	-
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				530,698	
Restricted cash and other deposits					
Convertible debenture proceeds (repayments), net	-			(591,377)	-
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**	**9,111,898**	**2,990,654**
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**	**(279,961)**	**6,074,620**
CASH, BEGINNING OF THE YEAR	2,401,085	2,420,505	2,744,630	11,734,512	11,454,551
CASH, END OF THE YEAR	**2,420,505**	**2,744,630**	**11,734,512**	**11,454,551**	**17,529,171**

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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