

# **CIM International Group Inc.**

## **Management's Discussion & Analysis**

**For the Six Months Ended June 30, 2018**

**and June 30, 2017**

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### **For the Six Months Ended June 30, 2018 and June 30, 2017**

**August 28, 2018**

The following Management's Discussion & Analysis of the audited consolidated financial position, results of operations and cash flows of CIM International Group Inc. (the "**Company**") are prepared by management and should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements and related notes thereto for the six months period ended June 30, 2018 and June 30, 2017 (the "Financial Statements"). The Company's unaudited condensed interim consolidated financial statements for the six months period ended June 30, 2018 and additional information about the Company are available on SEDAR at [www.sedar.com](http://www.sedar.com). All amounts disclosed are presented in Canadian dollars unless otherwise stated.

### **Forward Looking Statements**

This Management Discussion & Analysis ("MD&A") contains "forward-looking statements" which may include, but are not limited to, statements with respect to the future financial or operating performance of the Company. Often, but not always, forward-looking statements can be identified by the use of words such as "plans," "expects," "is expected," "budget," "scheduled," "estimates," "forecasts," "intends," "anticipates," or "believes" or variations (including negative variations) of such words and phrases, or statements that certain actions, events or results "may," "could," "would," "might" or "will" be taken, occur or be achieved. Forward-looking statements are based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable at the date that such statements are made. Forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended.

Forward-looking statements contained herein are made as at the date of this Management's Discussion & Analysis. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The Company does not undertake to update any forward-looking statements except as required by applicable securities laws.

## **OVERVIEW AND DESCRIPTION OF BUSINESS**

The Company commenced business as a mineral exploration company listed on the TSX Venture Exchange (the "TSXV") under the trading symbol "GBD" (formerly "GBM"). The Company was incorporated pursuant to the provisions of the *Business Corporations Act* (Ontario) on February 18, 2010. On May 27, 2010, the Company was listed as a Capital Pool Company ("CPC") as defined pursuant to Policy 2.4 ("Policy 2.4") of the TSX Venture Exchange.

Effective August 28, 2014, the Company officially changed its corporate name to "Golden Bridge Development Corporation" from Golden Bridge Mining Corporation and traded under the stock symbol "GBD" and was classified as a Tier 2 mineral exploration issuer company.

On April 29, 2016, the Company officially changed its name to CIM International Group Inc. and delisted its shares from the TSXV. The Company listed its shares on the Canadian Securities Exchange ("CSE") under the stock symbol "CIM" and commenced trading effective May 9, 2016 and is now classified as a "Diversified Industries" issuer company. The fiscal year-end of the Company is December 31. The registered address of the Company is 55 Commerce Valley Drive West, Suite 502, Markham, Ontario, Canada, L3T 7V9.

## **CORPORATE DEVELOPMENTS**

### **Transaction**

Effective April 29, 2016, the Company completed the securities exchange Transaction involving CIM Development (Markham) LP ("CIM LP"), CIM Investment & Development LP, Global King Inc., and Shang Titlist Investment Inc. (the three foregoing entities referred to collectively as the "CIM Parties") and acquired 10,000,000 Class A non-voting units in a new limited partnership named CIM Mackenzie Creek Limited Partnership in exchange for 40,000,000 consolidated common shares in the capital of the Company at a deemed price of \$0.25 per consolidated share on a post-consolidated basis totaling \$10,000,000 (the "Transaction"). Shareholders of the Company overwhelmingly supported and approved the Transaction and all related matters at the Annual and Special Meeting of the shareholders held on April 8, 2016.

### **Share Consolidation and Change of Business**

The Company had 18,663,081 Common Shares as at February 29, 2016, on a non-diluted basis. Upon the closing of the Transaction on April 29, 2016, the Company consolidated its issued and outstanding shares on the basis of five pre-consolidation Common Shares for each one post-consolidation Common Share which resulted in a total of 3,732,616 shares issued and outstanding as at April 29, 2016. The 5:1 ratio consolidation of the Common Shares was approved by the shareholders of the Company on April 8, 2016 and was also approved by regulatory authorities. Currently, there are a total of 46,132,616 common shares issued and outstanding.

The Transaction resulted in a change of business ("Change of Business") for the Company which became a "Diversified Industries" company on the Canadian Securities Exchange ("CSE").

### **De-Listing from TSXV and Re-Listing on the CSE**

The Company delisted its Common Shares from the TSXV effective April 29, 2016 pursuant to the policies of the TSXV, and which was approved by the shareholders of the Company on April 8, 2016 at the Company's Annual and Special Meeting.

In connection with the Transaction, the Company successfully completed the process to list its Common Shares on the CSE in accordance with the CSE's listing requirements effective on May 2, 2016 and its common shares began trading on May 9, 2016 on the CSE Exchange.

### **Stock Options**

In April 2016, a total of 736,931 stock options which were granted between August 2012 and April 2014 to Directors and Officers of the Company were cancelled and an amount of \$155,292 representing the portion of the fair value attributable to these stock options was transferred to contributed surplus within the other capital reserves account.

On April 29, 2016, the Board of Directors granted a total of 373,262 stock options to certain Directors and Officers exercisable into common shares at a price of \$0.375 per share expiring April 29, 2019 and were fully vested upon issuance. The fair value of the stock options granted to certain directors and officers was \$86,363 and was calculated using the Black Scholes option pricing model with the following assumptions: (i) dividend yield of 0%; (ii) expected volatility of 100.00%; (iii) risk free rate of 0.60%; and (iv) expected life of 3 years and a forfeiture rate of 0%.

As at June 30, 2018, there were a total of 373,262 (December 31, 2017 – 373,262) vested stock options outstanding and the weighted average contractual life remaining of the balance of the outstanding stock options is 0.83 years (December 31, 2017: 1.33 years).

### **Private Placement Financing - Common Shares**

On April 29 2016, the Company completed the securities exchange Transaction involving CIM Development (Markham) LP ("CIM LP"), CIM Investment & Development LP, Global King Inc., and Shang Titlist Investment Inc. (the three foregoing entities referred to collectively as the "CIM Parties") and acquired 10,000,000 Class A non-voting units in a new limited partnership named CIM Mackenzie Creek Limited Partnership in exchange for 40,000,000 common shares in the capital of the Company at a deemed price of \$0.25 per consolidated share on a post-consolidated basis totaling \$10,000,000.

On April 29, 2016, the Company completed a concurrent private placement financing for gross proceeds \$600,000 consisting of 2,400,000 post-consolidation shares at \$0.25 per common share, as required in order to meet CSE listing requirements in connection with the Transaction.

During the period ended June 30, 2018, share issue costs recorded against share capital included professional fees and other fees of \$nil (December 31, 2017: \$nil).

### **CIM International Development Inc.**

During the period to May 31, 2018, the Company consolidated the business operations of CIM International Development Inc., which is a 100% wholly-owned subsidiary. CIM International Development Inc. is a real estate development company which manages and develops residential real estate projects.

On May 31, 2018, the Company sold 100% of its interest of CIM International Development Inc. for \$20,828 to Jiubin Feng, director and senior officer of the Company, representing the estimated value at that time.

### **Investment in Valleyview Garden Project**

On November 28, 2016, the Company invested in the Valleyview Garden residential real estate project located at 3000-3020 Kennedy Road in Scarborough, Ontario. The Valleyview Garden Project ("Valleyview Garden") is a 4.3 acres site of developable residential real estate land in the City of Toronto. The development proposal application, which has been submitted to the City of Toronto, is for 41 freehold newly constructed single detached residential housing units.

The Company invested in limited partnership units in the capital of CIM Development LP, which beneficially owns the Valleyview Garden real estate project, representing a 21% interest in the limited partnership, at an investment cost of \$2 million. The real estate development is progressing with all the various processes and approvals required for the development of the project.

During the period ended June 30, 2018, the Company recorded \$nil of associate's post-acquisition profit and loss (Dec 31, 2017: \$nil).

### **Investment in Bur Oak Real Estate Project**

On May 23, 2017, the Company invested in the "Bur Oak" residential and commercial real estate project located at 6910 Hwy 7 and Ninth Line in Markham, Ontario. The Bur Oak project is a 3-Phase project on a 20-acre site which is planned to include 140 residential townhouses, 575 condominium units and 50,000 sq. feet of commercial space in separate developments over a 6-year timeframe.

CIM International Group Inc. has invested a total \$1.5 million directly in limited partnership units in the capital of CIM Hwy 7 Holding LP, and which effectively represented a 27.3% interest in the Bur Oak project structure. The real estate development is moving forward with all the various studies, processes and approvals required for the development of the project.

During the period ended June 30, 2018, the Company recorded \$nil of associate's post-acquisition profit and loss (Dec 31, 2017: \$nil).

### **Investment in CIM Homes Inc.**

During the year-end December 31, 2017, the Company invested \$200 representing a 20% interest in CIM Homes Inc. by acquiring 200 common shares issued at \$1 per share. CIM Homes Inc. is a real estate development company which develops both residential and commercial real estate projects. Its principal activities include identifying new development acquisitions, creating partnerships that maximize the value of the real estate portfolio, and seeks to capitalize on real estate development opportunities.

Effective May 31, 2018, the Company sold its 20% interest of CIM Homes Inc. for \$200 to Jiubin Feng, director and senior officer of the Company, and the total share of associates' loss for the period is \$54,863 as a result.

### **Investment in Victoria House Retirement Home**

During the year December 31, 2017, the Company invested in the "Victoria House Retirement Home ("Victoria House"), an award-winning retirement home located in Orillia, Ontario. The Company invested \$352,400 directly in the common shares of Canadian China Ageing Development Inc. ("CCAD") representing 8.045% of CCAD's shares. CCAD is the facilities manager of the Victoria House. This investment was initially designated upon inception as "available for sale" and recorded at fair value. Due to its recent purchase, the Company kept the investment at cost which approximates the fair value.

### **Investment in Port McNicoll Real Estate Project**

During the year ended December 31, 2017, the Company invested in the Port McNicoll residential real estate project located near the town of Port McNicoll, Ontario on the southern shore of Georgian Bay. The project is a development stage on a 1,126-acre site which is planned to include up to 1,500 residential homes including single family, townhouses, and stacked townhouses, to span over a number of years. The Company invested \$2,632,500, in limited partnership units in the capital of CIM Port McNicoll Holding LP, and which effectively represents a 30.0% interest in the Port McNicoll project structure.

During the period ended June 30, 2018, the Company recorded \$nil of associate's post-acquisition profit and loss (Dec 31, 2017: \$nil).

### **Investment in Note Receivable and Debentures Issued**

During the year 2018, the Company raised aggregate gross proceeds of \$8,565,000 by issuing three-year term secured debentures bearing interest at a rate of 13.5% per annum payable semi-annually (the "Debentures") on a non-brokered Private Placement basis (the "Private Placement"). The Debentures are secured by 8,565,000 Class A limited partner units owned by the Company in the capital of CIM Mackenzie Creek Limited Partnership.

The net proceeds of the Private Placement were used to purchase a three-year term secured debenture bearing interest at a rate of 20% per annum payable semi-annually (the "Investment") from Bayview Creek (CIM) LP, the beneficial owner of the Bayview Creek residential development project located at 10747 Bayview Avenue, Richmond Hill, Ontario. The Company paid a finder's fee equal to four percent (4%) of the gross proceeds of the Private Placement raised from investors referred to the Company by the finders.

The Private Placement and the Investment (collectively, the "Transactions") were considered "related party transactions" as (i) Jiubin Feng, one of the directors and senior officers of the Company, is also a director and officer of the general partner of Bayview Creek (CIM) LP and (ii) the general partner of Bayview Creek (CIM) LP is also the general partner of one of the insiders of the Company, namely CIM Investment & Development LP.

### **Appointment of President**

On May 23, 2017, Mr. Robert Parent was appointed to the position of President of the Company reporting directly to Mr. Jerry Feng, Chairman and CEO of the Company.

On March 23, 2018, Mr. Robert Parent resigned as President of the Company. Mr. Jerry Feng CEO assumed the responsibilities of the President.

Effective June 1, 2018, CIM International Group Inc. appointed Mr. Yanfeng Chen as President of the Company reporting directly to Mr. Jerry Feng, the Chairman and Chief Executive Officer of the Company.

## **Subsequent event**

During August 2018, the Company announced the closing of the seventh tranche of a previously announced private placement on a non-brokered basis (the “Private Placement”) raising additional gross proceeds of \$1,435,000 by issuing three-year term secured debentures bearing interest calculated at a rate of 13.5% per annum payable semi-annually (the “Debentures”). The Debentures are secured by 1,435,000 Class A limited partner units (the “Class A Units”) owned by the Company in the capital of CIM Mackenzie Creek Limited Partnership which are redeemable at \$1.00 per Class A Unit on a date which approximates the maturity of the Debentures and earn a 20% annual distribution for the period; which remains outstanding. The Company has raised aggregate gross proceeds of \$10,000,000 since the beginning of the Private Placement.

Net proceeds of the Private Placement were used to purchase a three-year term secured debenture bearing interest calculated at a rate of 20% per annum payable semi-annually (the “Investment”) from Bayview Creek (CIM) LP, the beneficial owner of the Bayview Creek residential development project located at 10747 Bayview Avenue, Richmond Hill, Ontario, Canada. This Investment is secured by (i) a covenant to provide a mortgage against the title of the said real estate project in the event of default of the Investment or an event of default under any mortgage on title to the said real estate project, and (ii) a negative pledge containing certain covenants common in mortgage transactions, including a covenant not to further encumber the said real estate project without the prior written consent of the Company. The Company paid a finder’s fee equal to four percent (4%) of the gross proceeds of the Private Placement raised from investors referred to the Company by the finders.

The Private Placement and the proposed Investment (collectively, the “Transactions”) were considered “related party transactions” within the meaning of Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions (the “MI 61-101”) as (i) Jiubin Feng, one of the directors and senior officers of CIM, is also a director and officer of the general partner of Bayview Creek (CIM) LP and (ii) the general partner of Bayview Creek (CIM) LP is also the general partner of one of the insiders of the Company, namely CIM Investment & Development LP. The Transactions were exempt from the formal valuation and disinterested shareholder approval requirements under MI 61-101 as the Transactions are supported by an arm’s length control party, namely Shang Titlist Investment Inc., who owns or exercises control over more voting securities of CIM than any other shareholder, including Jiubin Feng, an interested party, and is at arm’s length to Jiubin Feng.

## **OPERATING & FINANCIAL RESULTS**

### **Results of Operations**

The Company, effective May 2, 2016, and is now classified as a "Diversified Industries" issuer company, with operations in the real estate and the mining sectors.

### **SIX MONTHS ENDED JUNE 30, 2018**

#### **Selected Financial Information**

The Company’s fiscal year-end is December 31<sup>st</sup>. The following selected financial data is derived from the unaudited interim consolidated financial statements of the Company for the period ended June 30, 2018 and June 30, 2017.

<b>Results of Operations</b>	<b>Six Months Ended June 30, 2018</b>	<b>Six Months Ended June 30, 2017</b>
Total revenue	\$1,936,875	\$1,092,477
Comprehensive income	\$746,391	\$104,808
Net income per share - Basic (Post-consolidation)	\$ 0.02	\$ 0.00
Net income/(loss) per share - Diluted (Post-consolidation)	\$ 0.02	\$ 0.00
Total assets	\$28,044,461	\$14,694,427
Total current liabilities	\$9,088,298	\$ 4,144,784
Total long-term liabilities	\$7,967,240	\$846,728
Cash dividends declared per share	\$ Nil	\$ Nil
Weighted Average Number Shares -(Post-consolidation) - Basic	46,132,616	46,132,616
Weighted Average Number Shares -(Post-consolidation) - Diluted	46,505,878	46,505,878

### **Management's Discussion and Analysis – Six Months Ended June 30, 2018**

The Company reported a comprehensive income of \$746,391 for the period ended June 30, 2018 as compared to a comprehensive income of \$104,808 for the comparative period ended June 30, 2017, an improvement in the comprehensive income of \$641,583 over the prior period.

The improvement in comprehensive income for the period is mainly the result of an increase in revenue of \$844,398 in the period ended June 30, 2018 and offset by an increase in operating costs of \$744,289 over the period, an increase in interest expense of \$732,883, and by the increase in comprehensive income from the fair value change in investment of \$729,746 in the period. Total operating expenses for the period ended June 30, 2018 were \$1,269,985 as compared to total operating expenses of \$525,696 for the prior period ended June 30, 2017, representing a total increase of \$744,289 over the prior period related to the increased operating activities of the Company as it builds its diversified industries business.

The increase in operating costs in the period is comprised of an increase in general and administrative expenses of \$99,690, an increase in the professional fees by \$52,911, an increase in wages and benefits of \$596,375, and an increase in depreciation of \$4,361 over the prior period.

For the period ended June 30, 2018, the Company recorded an income per share of \$0.02 as compared to an income per share of \$0.00 in the prior period ended June 30, 2017.

As at June 30, 2018, the Company had total assets of \$28,044,461 as compared to total assets of \$17,407,844 as at December 31, 2017 representing an increase of \$10,636,617 over the prior fiscal period. Total assets were comprised mainly of cash totalling \$190,203, other receivables of \$1,156,206, loan receivable of \$8,140,000, capital assets of \$76,838, and the investment in real estate of \$11,533,685 and the investment in associates of \$6,480,874.

The increase in total assets in the amount of \$10,636,617 on a net basis resulted mainly from an increase in the cash balances of \$148,209, increase in other receivables of \$1,145,007, decrease in due from related parties of \$82,970, increase in investment in real estate of \$272,195, an increase in investment in associate of \$914,021, an increase in loan receivable of \$8,140,000, and a decrease in capital assets of \$23,673. The Company has invested significantly in the real estate sector in connection with the new business focus established by the Board of Directors in 2016.

Current liabilities totalled \$9,088,298 as at June 30, 2018 as compared to a balance of \$6,862,593 as at December 31, 2017 representing an increase of \$2,225,705 in total. The increase consisted mainly of a decrease in accounts payable and accrued liabilities of \$271,082 over the comprised mostly of professional fees, payroll remittances payable, other corporate expenses payable, and an increase in the balance due to related parties of \$2,733,860.

Long-term liabilities as at June 30, 2018 totalled \$7,967,240 as compared to a total of \$302,719 as at December 31, 2017 mainly due to the increase in the Debentures for the gross amount of \$7,893,299 issued in the current period.

Shareholders' equity totalled \$10,988,923 as at June 30, 2018 compared to a shareholders' equity balance of \$10,242,532 at December 31, 2017, representing an increase shareholders' equity in the year of \$697,334. The increase mainly consisted from the increase in the comprehensive income of \$746,391 reported during the period ended June 30, 2018.

The Company's financial instruments were comprised of cash, other receivables, loan receivable, accounts payable and accrued liabilities, due to related parties, convertible debentures, and the finance lease payable. The Company did not have any contracts with embedded derivatives or similar financial products, except for the investment in CIM Mackenzie Creek LP (See Note 7). The Company managed its financial instruments liquidity risk by reviewing the cash funds on hand, by forecasting the projected cash flows and the timing and payment terms for expected costs, and by planning business operations expenditures and by anticipating the requirement and timing of funds under its financing activities.

In the opinion of management, the Company is not exposed to any significant market risk, credit risk, currency risk, interest rate risk, or liquidity risk arising from its current financial instruments in its business operations as at June 30, 2018.

### **Going Concern**

Management uses its judgment in determining whether the Company is able to continue as a going concern. Critical considerations take into account all available information about the future viability of anticipated return on its real estate investments and recoverability of such investments, the availability of capital financing, current working capital funds, market price of real estate, and the future commitment and obligations. Management has asserted that the Company is a going concern and that no material uncertainty exists as at June 30, 2018.

For the six months ended June 30, 2018, the Company reported a revenue of \$1,936,875, reported a comprehensive income for the period of \$746,391 and had shareholders equity of \$10,988,923 which is a significant improvement of the operating results over the prior years. Over the past years, management has successfully obtained financing through the issuance of debt and equity instruments to continue its operations.

In the year 2016, management and the Board of Directors of the Company considered a number of potential opportunities and strategies to maximize shareholder value for the Company. As a result, the Company has now repositioned its business mandate as a "Diversified Industries" issuer listed on the CSE focused on three distinct business sectors: real estate, mining resources, and technology. This will allow the Company to pursue and develop its business in these various sectors when opportunities arise and will allow the Company to expand its operations more easily, improve cash flow, raise capital equity, have the potential for improved profitability, to be in a better position meet its commitments and obligations, and to enhance shareholder value in the future.

As a result of the Transaction, the investments in the real estate sector, and additions to executive management team, the Company believes it has the benefit of the skills and talents of an experienced real estate developer in the Greater Toronto Area in an industry which has seen significant growth and development during the past several years and in which there has been available capital from financiers and lenders to carry out such projects.

Through the successful and profitable conduct of its business sectors, the Company anticipates that it be able to carry on its business for the foreseeable future in good standing.

Senior management is also actively involved in the review and approval of all planned expenditures and commitments of the Company. All expenditures of the Company are paid in Canadian dollars. All major business contracts, agreements, business arrangements, corporate business and organizational affairs of the Company require approval by the Board of Directors of the Company.

## **Cash Flows**

During the period ended June 30, 2018, the Company recorded net cash increase of \$148,209 in total as compared total cash increase of \$55,859 in the prior period. The cash balances increased overall during the period mainly as a result of the cash provided by operating activities of \$1,261,756 in the period, offset by cash used in investing activities of \$8,998,547, and as a result of cash provided by financing activities of \$7,884,999 in the period.

The Company has recorded cash provided by operating activities of \$1,261,756 for the period ended June 30, 2018 as compared to cash provided by operating activities of \$1,267,952 in the prior period. The funds provided by operating activities mainly consisted of an increase in the due to related parties of \$2,266,795, and offset by increase in other receivables of \$1,145,009 and in accounts payables and accrued liabilities of \$271,081 in the period.

Cash used in investing activities was \$8,998,547 for the period ended June 30, 2018 as compared to 1,204,632 for the prior period. The Company invested additional funds of \$858,547 in the real estate projects including the CIM Hwy 7 Holding LP and the CIM Port McNicoll Holding LP, and the increase in the loan receivable of \$8,140,000 in the period. There was \$nil cash used in purchasing computers and office equipment for the period ended June 30, 2018.

Cash provided by financing activities was \$7,884,999 for the period ended June 30, 2018 as compared to a cash used in financing activities of \$7,461 in the prior period. During the current period, the Company issued the Debentures of \$7,893,299, net of issue costs, and repaid \$8,300 of finance lease payment in the period.

## Working Capital

As at June 30, 2018, the Company had current assets of \$1,367,704 as compared to current liabilities of \$9,088,298 representing a negative working capital of \$7,720,594; which includes the amount of 7,399,731 from due to related parties and \$1,429,247 from the deferred gain.

In addition, the deferred gain of \$1,429,247 included in current liabilities at June 30, 2018 will ultimately be reported as income in the next fiscal year.

Currently, the Company is managing its operating expenses, has reported \$746,391 in total comprehensive income in the period ended June 30, 2018, and has adequate funds to meet its current immediate short-term obligations and short-term commitments and believes it has the ability and is planning to raise sufficient additional cash funds to carry on its business operations for the upcoming fiscal year and to fund potential investments and or acquisitions in the future which are attractive opportunities or strategic to the Company's business.

As described previously, in June 2018, the Company raised aggregate gross proceeds of \$8,565,000 by issuing three-year term secured debentures bearing interest at a rate of 13.5% per annum payable semi-annually on a non-brokered private placement basis.

## **THREE-MONTH PERIOD ENDED JUNE 30, 2018**

### Selected Financial Information

The Company's fiscal year-end is December 31<sup>st</sup>. The following selected financial data is derived from the unaudited interim financial statements of the Company for the period ended June 30, 2018.

<b>Results of Operations</b>	<b>Three Months Ended June 30, 2018</b>	<b>Three Months Ended June 30, 2017</b>
Total revenue	\$1,009,025	\$592,477
Comprehensive income	\$521,871	\$37,629
Net income per share (Post-consolidation) – Basic	\$0.01	\$0.01
Net income per share (Post-consolidation) – Fully diluted	\$0.01	\$0.00
Total assets	\$28,044,461	\$14,694,427
Total current liabilities	\$9,088,298	\$4,144,784
Total long-term liabilities	\$7,967,240	\$846,728
Cash dividends declared per share	\$ Nil	\$ Nil
Weighted Average Number Shares (Post-consolidation) - Basic	46,132,626	46,132,626
Weighted Average Number Shares (Post-consolidation) - Fully diluted	46,505,888	46,505,888

## **Management's Discussion and Analysis - Three Month Period Ended June 30, 2018**

The Company recorded a comprehensive income of \$521,871 for the three-month period ended June 30, 2018 as compared to a comprehensive income of \$37,629 for the three months ended June 30, 2017, an increase in the comprehensive income of \$484,242 over the period. Revenues for the three months ended June 30, 2018 were \$1,009,025 compared to \$592,477 for the three months ended June 30, 2017, an increase of \$416,548.

The increase in comprehensive income for the three-month period is mainly as the result of the increase in comprehensive income due to an increase in the fair value of investment of \$509,726 recorded for the current period, as compared to the fair value loss on the investment of \$211,894 in the prior period.

Total operating expenses for the three-month period ended June 30, 2018 were \$557,806 as compared to total expenses of \$333,941 for the three-month prior period ended June 30, 2017, representing a total increase of \$223,865 over the prior period. The net increase in total operating expenses in the period was mainly due to an increase in wages and benefits of \$128,964, increase in general and administrative expenses of \$62,142, increase in interest of 437,879 and offset by a decrease in filing fees of \$9,384. For the three-month period ended June 30, 2017, the Company recorded a basic net income per share of \$0.01 as compared to a net income per share of \$0.00 in the three months ended June 30, 2017.

### **Convertible Debentures**

On December 5, 2013, the Company completed a private placement financing for total gross proceeds of \$280,000 of unsecured convertible debentures. The debentures had a maturity date of December 5, 2016, bear interest at a rate of 8.0% per annum payable semi-annually and are convertible into common shares at the holder's option at any time prior to the maturity date at a conversion price of \$1.75 per common share (post-consolidation).

A total of \$100,000 of the principal amount of the convertible debentures were settled in the year ended December 31, 2016. The balance of \$180,000 of the convertible debentures were renewed at the same terms and to mature on December 5, 2017, and were repaid in full in the year ended December 31, 2017.

### **Share Capital**

The following is a summary of the recent capital stock transactions completed:

On April 29 2016, the Company completed the securities exchange involving CIM Development (Markham) LP ( "CIM LP"), CIM Investment & Development LP, Global King Inc., and Shang Titlist Investment Inc. (the three forging entities referred to collectively as the "CIM Parties") and acquired 10,000,000 Class A non-voting units in a new limited partnership named CIM Mackenzie Creek Limited Partnership in exchange for 40,000,000 common shares in the capital of the Company at a deemed price of \$0.25 per consolidated share on a post-consolidated basis totaling \$10,000,000.

On April 29, 2016, the Company completed a concurrent private placement financing for gross proceeds \$600,000 consisting of 2,400,000 post-consolidation shares at \$0.25 per common share, as required in order to meet CSE listing requirements in connection with the Transaction.

There were no issuances of capital stock or warrants during the period ended June 30, 2018.

## **Stock Options**

During the period ended December 31, 2016, a total of 736,931 stock options which were granted between August 2012 and April 2014 to Directors and Officers of the Company were cancelled and an amount of \$155,292 representing the portion of the fair value attributable to these stock options was transferred to contributed surplus within the other capital reserves account.

On April 29, 2016, the Board of Directors granted a total of 373,262 stock options to certain Directors and Officers exercisable into common shares at a price of \$0.375 per share expiring April 29, 2019 and were fully vested upon issuance. The fair value of the stock options granted to certain directors, and officers was \$86,363 and was calculated using Black Scholes option model with the following assumptions: (i) dividend yield of 0%; (ii) expected volatility of 100%; (iii) risk free rate of 0.60%; and (iv) expected life of 3 years and a forfeiture rate of 0%.

As at June 30, 2018, there were a total of 373,262 (Dec 31, 2017 – 373,262) vested stock options outstanding and the weighted average contractual life remaining of the balance of the outstanding stock options is 0.83 years (Dec 31, 2017 - 1.33 years).

During the period ended June 30, 2018, there were no issuances of stock options to any officers or directors of the Company.

## **Outstanding Share Data**

As at June 30, 2018, the following issued share data is reported on a post-consolidation basis:

- 46,132,616 common shares issued and outstanding.
- 373,262 stock options issued and outstanding.

## **Financial Instruments and Other Instruments**

Unless otherwise noted, it is management's opinion that the Company is not currently exposed to significant market risk, currency risk, credit risk or liquidity risks arising from its financial instruments in its limited business operations at this time. The fair value of these financial instruments approximates their carrying value as at December 31, 2017. As disclosed in Note 1 in the consolidated financial statements, the Company completed the transaction. The Company measured \$10 million investment in CIM Mackenzie Creek LP at fair value both at the transaction date and as of June 30, 2018.

The fair value of the investment at the transaction date was \$12,745,286 which resulted in a day one level three gain of \$2,745,286 which is to be recognized through profit and loss over time and any changes in fair value only to the extent that it arises from a change in factors that market participants would take into account in accordance with IAS 39/IFRS 9 should be recognized through Other Comprehensive Income/(Loss).

## Summary of Selected Quarterly Results – Past Two Fiscal Years

Description	Three months ended June 30, 2018	Three months ended Mar 31, 2018	Three months ended Dec 31, 2017	Three months ended Sept 30, 2017	Three months ended June 30, 2017	Three months ended Mar 31, 2017	One months ended Dec 31, 2016	Three months ended Nov 30, 2016
<b>Revenue</b>	\$1,009,025	\$927,850	\$633,971	\$596,151	\$592,477	\$500,000	\$333,333	\$Nil
<b>Expenses</b>								
General & administrative	\$174,629	\$101,560	\$152,075	\$115,792	\$112,487	\$64,012	\$32,536	\$41,286
Share-based compensation	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil
Professional fees	\$47,532	\$ 14,234	\$263,998	\$5,315	\$5,118	\$3,737	\$16,795	\$10,625
Wages & benefits	\$318,206	\$579,356	\$276,419	\$376,853	\$189,242	\$111,945	\$306,723	\$49,001
Filing fees and other	\$7,984	\$2,811	\$3,971	\$3,135	\$17,368	\$2,475	\$860	\$2,746
Depreciation	\$9,455	\$14,218	\$11,358	\$10,073	\$9,726	\$9,587	\$3,196	\$9,259
<b>Total Expenses</b>	\$557,806	\$712,179	\$707,821	\$511,168	\$333,941	\$191,756	\$360,109	\$112,918
Gain on settlement of debt	\$Nil	\$Nil	\$(163,937)	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil
Share of associate (profits) loss	\$55,976	\$(1,113)	\$(55,063)	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil
Interest expense	\$458,874	\$300,035	\$268,312	\$76,737	\$20,995	\$5,020	\$3,687	\$12,804
Income tax expense (recovery)	\$(75,777)	\$(87,751)	\$(80,949)	\$(53,775)	\$(11,982)	\$15,675	\$(139,713)	\$Nil
<b>Net Income (Loss) for the Period</b>	<b>\$12,145</b>	<b>\$4,500</b>	<b>\$(42,213)</b>	<b>\$62,021</b>	<b>\$249,523</b>	<b>\$287,549</b>	<b>\$109,250</b>	<b>\$(125,722)</b>
<b>Comprehensive Income (loss) for the Period</b>	<b>\$521,871</b>	<b>\$224,520</b>	<b>\$549,076</b>	<b>\$(9,459)</b>	<b>\$37,629</b>	<b>\$67,179</b>	<b>\$(195,782)</b>	<b>\$(178,063)</b>
<b>Income (Loss) per Share - (Post-consolidation)</b>	\$0.01	\$0.00	\$0.01	\$0.00	\$0.00	\$0.00	\$(0.00)	\$0.00
<b>Weighted Average Number of Shares - Basic</b>	<b>46,132,616</b>	<b>46,132,616</b>	<b>46,132,616</b>	<b>46,132,616</b>	<b>46,132,616</b>	<b>46,132,616</b>	<b>46,132,616</b>	<b>46,132,616</b>

## Transactions with Related Parties

During the period ended June 30, 2018 and year ended December 31, 2017, the following are the related party transactions:

a) Due from related parties

	<u>June 30, 2018</u>	<u>December 31, 2017</u>
Rent cost, accounting service, and salaries recovery	\$ 17,860	\$ 100,830
	<u>                    </u>	<u>                    </u>
Total	\$ <u>17,860</u>	\$ <u>100,830</u>

b) Due to related parties

	<u>June 30, 2018</u>	<u>December 31, 2017</u>
CIM Homes Marketing Inc.	\$ 1,000,000	\$ 1,000,000
Bayview Creek (CIM) LP	6,398,120	3,663,327
CIM Global Development LP	<u>1,611</u>	<u>2,544</u>
Total	\$ <u>7,399,731</u>	\$ <u>4,665,871</u>

- i. As at June 30, 2018, the Company owes CIM Homes Marketing Inc., a related company, \$1,000,000 which is a 20% annual interest rate short-term loan payable on demand and is presented as “Due to related parties” on the Consolidated Financial Position Statement since the Chief Executive Officer of the Company is related to an officer and director of this company.
  - ii. As at June 30, 2018, the Company owes Bayview Creek (CIM) LP, a related company, \$6,398,120 which is a 20% annual interest rate short-term loan payable on demand and is presented as “Due to related parties” on the Consolidated Financial Position Statement since the Chief Executive Officer of the Company has an interest in related companies.
  - iii. As at June 30, 2018, the Company owes CIM Global Development LP., a related company, \$1,611 which non-interest short-term loan payable on demand and is presented as “Due to related parties” on the Consolidated Financial Position Statement since the Chief Executive Officer of the Company has an interest in related companies.
- c) During the ten months ended December 31, 2016, the Company acquired 10,000,000 Class A non-voting units in CIM Mackenzie Creek Limited Partnership (Note 7), where Chief Executive Officer and a director of the Company have an interest in companies related to Mackenzie Creek Limited Partnership.
  - d) During the ten months period ended December 31, 2016, the Company acquired a 21% interest in CIM Development Limited Partnership (Note 8) where the Chief Executive Officer of the Company has an interest in related companies.
  - e) During the year ended December 31, 2017, the Company acquired a 27.3% of interest in CIM Hwy 7 Limited Partnership (Note 8) where the Chief Executive Officer of the Company has an interest in related companies.

- f) During the year ended December 31, 2017, the Company acquired a 30.0% of interest in CIM Port McNicoll Holding Limited Partnership (Note 8) where the Chief Executive Officer of the Company has an interest in related companies.
- g) During the period ended June 30, 2018, the Company issued a note receivable in the amount of \$8,565,000 to Bayview Creek(CIM) Limited Partnership (Note 8) where the Chief Executive Officer of the Company has an interest in related companies.
- h) During the period ended, the Company earned accounting and finance services totaling \$96,000 related companies (Dec 31, 2017 - \$255,000).
- i) During the period ended June 30, 2018, the Company charged related companies for the recovery of operating expenses totaling \$60,167 (Dec 31, 2017 - \$136,793).
- j) During the period ended June 30, 2018, the Company incurred interest expense totaling \$467,065 to related companies (Dec 31, 2017 - \$350,683).
- k) On May 31, 2018, the Company sold a 100% of its interest in CIM International Development Inc. to Jiubin Feng, the CEO of the Company for \$30,728 representing the estimated value at that time.
- l) Key management includes the Company's directors, officers and any employees with authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.
- m) A summary of the key management compensation comprises the following:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Salaries and benefits	\$ 328,559	\$ 199,923
Stock-based compensation	_____ -	_____ -
Total	<u>\$ 328,559</u>	<u>\$ 180,653</u>

## **Commitments and Contractual Obligations**

### **Lease Commitment**

The Company is committed to following office rental payments as at June 30, 2018:

	<u>Rent Amount</u>
Less than 1 year	\$ 138,155
Greater than 1 and less than 5 years	644,723
Greater than 5 years	_____ -
Total Commitment	<u>\$ 782,878</u>

The Company expects to recover \$647,598 of this commitment from related companies.

### **Functional currency**

The Company's financial statements for the period ended June 30, 2018 are presented in Canadian dollars which is the functional currency of the Company.

## Legal Proceedings

Currently, the Company is not a party to any current ongoing legal proceedings at this time and is not aware of any pending or contemplated legal actions which are or may be material to the business operations of the Company.

## Reliance on Management

The Company anticipates that it will rely on the experience and expertise of management and the exploration team with respect to the further development of any mineral properties. The loss of any of the services of management to effectively manage the business affairs of the Company could have a material adverse impact on the Company.

## Internal Controls

The Company's management, through the Board of Directors of the Company has the responsibility to conduct its business operations and affairs in compliance with applicable corporate laws, in accordance with securities laws and regulations, and maintain proper corporate governance standards and practices. A number of internal controls policies and procedures have been designed and established by the Company to provide guidance for the proper conduct of its business operations.

Management reviews its internal control practices and policies on an ongoing basis and makes improvements and introduces additional internal controls procedures relevant to its business as it continues to expand its operations. The Company continually reviews, updates and enhances its policies and procedures to improve the overall quality of the internal controls over its business operations particularly with respect to its mining exploration costs and the annual corporate operating expenses.

## Segmented Disclosure

The Company currently operates in two business segments; the acquisition, exploration and development of mineral properties and in real estate development for which all operating activities are conducted within Canada as follows as at June 30, 2018 and December 31, 2017:

	<u>June 30, 2018</u>	<u>December 31, 2017</u>
Real estate investments	\$ 18,014,469	\$ 16,828,253
Mining exploration and development	_____ -	_____ -
Total	<u>\$ 18,014,469</u>	<u>\$ 16,828,253</u>

## Off-Balance Sheet Arrangements

As at June 30, 2018, the Company did not have any other off-balance sheet commitments and did not enter into off-balance sheet arrangements during the fiscal year.

## **Environmental Risks**

Environmental legislation continues to evolve and imposes strict standards and enforcement, increased fines and penalties for non-compliance, more stringent assessment of proposed projects and a greater degree of corporate responsibility. There can be no assurance that future changes to environmental legislation may not adversely affect the Company's operations. In the prior years, the Company did not undertake any invasive exploration or development of any of its previous mining properties that would potentially result in serious environmental concerns.

## **Critical Accounting Estimates and Judgments**

The preparation of the financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the financial statements, the reported amounts of revenue and expenses during the reporting period, and the assessment and disclosure of contingencies, if any.

The significant critical accounting estimates impacting the Company's financial statements are the estimates of the amount of the Quebec Tax Credit for Resources receivable from the qualifying mineral exploration expenditures for the Hebecourt Project in Quebec, the calculation of the fair value of the debt component of the convertible debentures, the measurements of the stock options and share-based compensation calculated using the Black-Scholes option pricing model, the calculation of the fair value of the share purchase warrants using the Black Scholes model, and the assessment of realizing the deferred tax assets. The company makes estimates respect to the valuation of the level 3 investment classified as available for sale.

The critical accounting judgements involved in the Company's financial statements are the judgments relating to the assessment of carrying value of the mining exploration and development costs capitalized and the determination of any impairment that may exist, the judgment required to determine and assess the carrying value and the fair market value of the investment in CIM Mackenzie Creek LP and the recorded income related to this investment including the deferred gain for accounting purposes, the judgment required to determine the appropriate accounting treatment for the convertible debentures, and the judgment requirement by management to determine whether the Company is able to continue operations as a going concern.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements.

## **CORPORATE INFORMATION**

The Company's corporate business office address is currently located at:

### **CIM International Group Inc.**

55 Commerce Valley Drive West

Suite 502

Markham, Ontario

Canada, L3T 7V9

### **Contact:**

Mr. Jerry Feng

Chief Executive Officer

Telephone: (905) 597-8858

Fax: (905) 597-6858

Website: [www.cimintgroup.com](http://www.cimintgroup.com)

### **Additional Information**

Additional information about the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).