

ANTERIOR EDUCATION HOLDINGS LTD.

Management's Discussion and Analysis

For the Period Ended December 31, 2015

Prepared as of February 26, 2016

Contact Information

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General

The following discussion and analysis, prepared as of February 26, 2016 should be read together with the audited financial statements for the period ended December 31, 2015 and related notes attached thereto, which are prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are stated in Canadian dollars unless otherwise indicated. Additional information relating to the Company is available on SEDAR at www.sedar.com.

Forward Looking Statements

Certain information included in this discussion may constitute forward-looking statements. Statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. Readers are cautioned not to put undue reliance on forward-looking statements.

Description of Business

Anterior Education Holdings Ltd. (the "Company") was incorporated in the Province of British Columbia on April 14, 2015, under the Business Corporations Act of British Columbia. The Company's principal business focuses on the licensing and sale of its proprietary, digitally based English as a second language (ESL) curriculum called the Cloud Nine ESL Program ("C9 Program or C9 curriculum") to technical schools, universities, high schools and ESL providers in Canada and internationally. The company also owns and operates an ESL school located in downtown Vancouver, British Columbia.

Effective June 10, 2015 the Company completed a Plan of Arrangement with BHR Capital Corp. ("BHR") and Cervantes Capital Corp. ("Cervantes"), whereby the Company became a reporting issuer, and BHR, and its wholly-owned subsidiaries, became a wholly-owned subsidiary of the Company. The Company's registered office is at Suite 900, 549 Howe Street, Vancouver, British Columbia, V6C 2C2.

The consolidated financial statements include the accounts of the Company and the following entities:

BHR Capital Corp. ("BHR")	Wholly-owned subsidiary of the Company
Anterior Educational Systems Ltd. ("AES")	Wholly-owned subsidiary of BHR
International Language Institute Ltd. ("ILI")	Previously wholly-owned subsidiary of AES Sold to a third party on October 23, 2015
English Canada World Organization Inc. ("EC")	Wholly-owned subsidiary of AES

Canadian ESL Market – Summary Overview

Within Canada, the education market is generates than \$6.5 Billion per year, employing over 83,000 people. The ESL market in particular is generates \$745 Million annually and services approximately 30,000 foreign students each year (Industry Canada 2009) who come to Canada to learn English.

The industry is highly fragmented, however, and competition for foreign students is fierce. As a result, tuition fees are being pushed lower at the cost of corporate profitability. While this may seem an opportune time to consolidate the industry, ESL school acquisition in the 2013 through 2015 period were overvalued in the opinion of AEH management have resulted in ESL providers expecting unrealistic prices for their schools. Today, organic growth, while slower, is proving to be a much more cost effective method of corporate development which mitigates the risks of acquiring a collection of overpriced business that are struggling to survive.

International ESL Market – Summary Overview

While the Canadian ESL industry is fragmented and struggling to provide corporate profitability, the international ESL market continues to expand. The British Council has projected that by 2020 more than two billion people per year will be studying English worldwide. This international growth trend for ESL internationally is due in large part because the language of both business and science is increasingly conducted in English and there is no indication that this trend will abate or end in the foreseeable future.

In assessing the international ESL market it is worth noting that for every student who is able to travel abroad to learn English, there are thousands and thousands of others who are required to remain in their home country to study. With the worldwide proliferation of the smart phone, the tablet and the computer, these ESL students are seeking out new ways to gather information and learn about what interests them. Currently, there are a very limited number of choices for the hundreds of millions of ESL students who, in 2016, are seeking a functional, mobile and accessible ESL curriculum in their own country.

At the same time, teachers need, and are seeking out new and more effective methods of compiling and transmitting information to their students, whilst administrators want to ensure budgetary restraint. The management at AEH is of the opinion that companies with a digital based curriculum that is cost efficient, and comes with teacher training and certification, faces limited competition and have a wide and potentially profitable set of opportunities before them.

Corporate Development Strategy - Defined

The past 12 to 18 month period has demonstrated that the English as a Second Language (ESL) market in Canada is a difficult one in which to benefit shareholders solely through a consolidation of ESL schools across the country. There are many reasons for this including, but not limited to, the finite number of students coming to Canada to learn ESL juxtaposed an overabundance of schools competing for a share tuition revenue; schools outside of Vancouver and Toronto markets that have proven to be extremely difficult to profitably operate within; agents who recruit students for Canadian ESL schools but at a cost of 25-40% of tuition; the rising cost of teachers and the ever increasing expenses associated with promotion and marketing.

Perhaps the best example of a failure to profit from amalgamating English language schools has been evidenced through attempts by Loyalist (now KGIC) to consolidate ESL assets in Canada. KGIC acquired assets from Victoria to Halifax but failed to effect the efficiencies of operations or economies of scale exposed by their management team during the consolidation phase of their corporate development plan.

It is the opinion of the AEH management team that these failures were due in large measure to three main factors. First and foremost is that KGIC overvalued and overpaid for their acquisitions. Second, KGIC failed to centralize operations and profit from using one registrar, one Academic Director and one Marketing Manager as it opted, instead to have a registrar, an Academic Director and a Marketing Manager for each location. Third, KGIC did not have the internal expertise, or chose not to develop their own ESL curriculum and therefore ended up using a myriad of different textbooks at their various schools; none of which generated any significant revenues to help offset the cost of operations. Collectively, these decisions led to significant financial losses leading to a vast erosion in shareholder valuation.

The management team at Anterior is of the view that every attempt to consolidate or otherwise benefit from ESL assets in Canada will meet with the same result unless a fundamental element is added or changed that provides an opportunity to differentiate itself from other ESL providers, to add a significant and reoccurring revenue stream outside of simple tuition and, further, an ability to generate revenues outside of simply teaching ESL to students in Canada.

AEH management notes that while there are hundreds of ESL schools in Canada competing to teach English to domestic and the 30,000 foreign students who come here to study each year, there are very few ESL curriculum developers who endeavour to meet the needs of hundreds of millions of students who seek to develop their English language skills in the international ESL market. When one seeks to locate curriculum developers who provide digital based ESL study programs the number is reduced to a select few.

With this understanding in place the Company's management team believes the best Corporate Development Strategy is to differentiate itself and to develop into a profitable operation is to position AEH as a digital based ESL curriculum developer for schools that ESL in Canada and around the world.

There are several reasons that Company management has arrived at this decision. First, because today's ESL student wants a more dynamic, interactive and up-to-date curriculum than can be provided through traditional text book study programs. Second, because such a curriculum would clearly differentiate Anterior from other ESL providers. Third because being an ESL curriculum developer would relieve the Company of the ongoing expenses related to recruiting ESL students; as well as the costs associated with the instructors required to deliver the programs. Fourth, and most importantly, because such a curriculum would enable the Company to generate a very strong, recurring revenue stream with a high margin of profitability. Once the base curriculum is developed, it requires limited personnel to keep the curriculum going the Company continues to add additional ESL schools, universities and technical institutes to their client base.

Corporate Objectives for 2016

After analysing the ESL industry in Canada and abroad over the past 18 to 24 month period, and after comparing that assessment with the Company's internal skill set, financial resources and areas of competitive advantage, the management at AEH has selected three key objectives that the Company will focus on in 2016 in order to meet its corporate development strategy.

The first objective is to securing a listing on the Canadian Stock Exchange. Achieving this goal will provide liquidity for Company shareholders, and position AEH so that it has greater access to capital in the event that the management team decide to execute a strategy which requires financing beyond what is currently available within the existing pool of working capital.

The second is for the Company to rebrand itself under the name Cloud Nine. The reasons for the name change are to distance and distinguish AEH and its Vancouver school from an ESL school in Halifax called ILI, and to create consistency of naming within the corporate structure so as to make it easier for people to

identify the relationship between the parent company (AEH), its ESL asset in Vancouver (ILI) and its ESL curriculum product.

In order to successfully achieve this second objective, the Company has secured the requisite names, logos and website domains and is now in a position to change the name of the parent Company from Anterior Education Holdings to Cloud Nine Education Group, to change the name of the Vancouver ESL school from ILI - Vancouver to Cloud Nine College and to change the name of its digital based ESL product from the ILI Cloud Curriculum to the Cloud Nine ESL Program.

A list of the corporate logos and website domains is attached for reference under Appendix A

The third objective, given the Company's finite resources and the current state of the ESL industry in Canada, is to divest AEH of any asset or operation which does not produce significant EBITDA in order that working capital can be preserved and greater emphasis can be placed on the marketing and sale of its Cloud Nine ESL Program.

Anterior began executing the divestment strategy in the last quarter of 2015 by selling the International Language Institute - Halifax to Success College located in Nova Scotia. The Company then suspended operations of the IELTS English language proficiency test and then subsequently decided to cease offering any CELTA teacher training courses in Canada (unless the course coincides with training of teachers for clients who have procured the C9 ESL Program).

The Company will further employ this strategy by delaying its previously stated interest in acquiring an ESL school in the Toronto market until after AEH has gained approval to commence trading on the CSE and consistent, recurring revenues from the licensing/sale of the C9 Program are established.

Management at AEH believe strongly that acquiring another ESL school is not critical to securing the Company's future. However, generating sales of the C9 program will lead to financial stability, long term corporate viability and prominence within both the national and international ESL market(s).

Corporate Development Strategy – Elements for Execution

ESL School Vancouver

The management team is intricately involved in the recruitment of foreign students who come to study ESL at the Company's school in Vancouver (recently renamed Cloud Nine College). The Company anticipates that it will continue to operate and grow the school in Vancouver, despite the fact that it will not significantly contribute to the Company's overall financial interests once sales from the C9 ESL program are well established.

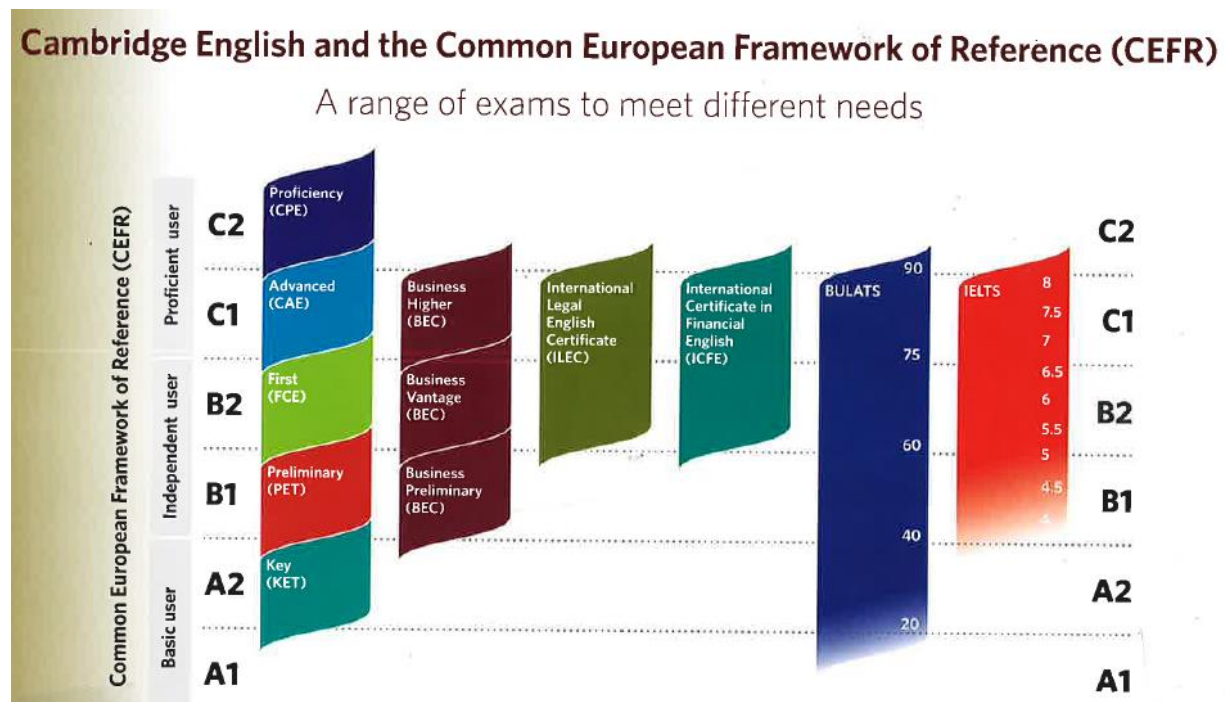
Setting aside the relatively modest revenues generated by its ESL school, Cloud Nine College does facilitate two important functions for the Company. First, the school provides a real life environment in which pedagogy and methodology for the C9 Program can be further developed and refined. Second, the school serves as a showroom for the curriculum which students, agents and prospective clients can come and visit.

With this understanding in place, AEH management believe that there is good reason to maintain, and even expand, enrolment at Cloud Nine College provided these operations can be developed in such a way that the asset complements and supports ongoing C9 ESL Program development and sales.

Cloud Nine Curriculum Development

While the strategy to divest itself of other assets noted in “*Corporate Objectives*” (above) is relatively new, the corporate development plan to create and market a proprietary, digitally based ESL curriculum is not. The Company intended to create an ESL curriculum in June 2013 when Anterior was first incorporated and began actively developing the C9 Program as soon as it acquired the International Language Institute (“ILI”) in September, 2014.

C9 ESL lessons are planned and developed using the internationally recognized Common European Frame of Reference (CEFR) as a guide. This format and development model allows academic administrators to quickly and accurately determine if a student’s linguistic ability will enable that individual to meet the institution’s ESL requirements. The following chart outlines how the CEFR ranking equates to various language proficiency exams being used within the national and international ESL industry.



All course materials are stored in a Google drive program designed for educators. Teachers are able to manage transmission of the lessons through a common internet email system and can restrict or allow students the ability to edit or modify any given document. The process enables instructors to group students together to work collaboratively on selected classroom or homework assignments yet restrict students from sharing information during exams or projects designed to be completed individually.

Every student has a folder and teachers can access all of the student’s work at any given time. Students use their smart phones, tablets or computers to access and collaborate on classroom work and home study assignments. No more loose paper to keep track of. They can access their course materials individually or share their assignment and work concurrently with others on the same page at the same time.

Teachers use their device to distribute, retrieve, store and catalogue the students work. Instructors are able to assist students with their studies at home with online guidance to ensure the main theme of lesson is understood. Study sessions from multiple remote locations changes homework from a solitary exercise into a group activity. Students are able to learn from and support their fellow students.

A more comprehensive explanation of the Company's ESL program is provided in the attached document entitled the "*C9 Curriculum Overview 2016*" (Appendix B).

Cloud Nine ESL Program Marketing Strategy

Market Research & Regional Distribution in South America

Following a four week marketing research trip to South America in June 2015, the Company determined that it should focus on the Brazilian and Mexican markets to develop its initial client base. The reason for selecting these two countries is due to the size of their population (280m and 120m people respectively), their low ESL proficiency, the general public's active interest in developing ESL skills and the positive response to the C9 Program that the Company has received.

In order to achieve the best possible understanding of, and maximum penetration into these markets, AEH will work with regional distributors. First because Anterior will benefit from their market understanding and cultural sensitivities and second because using regional distributors provides a measure of comfort and security for prospective clients.

In Brazil, the Company will work with Target Language Services, located in São Paulo. Target has been operating an ESL school there for more than 20 years, is highly regarded and has a teacher training program for ESL instructors that complements the Cloud Nine program very well. Schools which integrate the AEH curriculum will receive training in how to use the program as well as ESL training and CELTA certification at no additional cost.

In Mexico, AEH will work with You Can Learn (YCL) Global Education. The senior principal at YCL has been operating in the Mexican market for more than 5 years and has developed a reputation as a well-respected provider of international education services.

Working in tandem with these distributors, AEH will utilize the services of the Canadian government embassies and consulates to assist in securing introductions to prospective and interested parties as the Company did during its successful marketing trip in 2015.

Demonstration Curriculums

Following the June 2015 marketing trip to South America and the subsequent pilot programs delivered in July 2015, the Company designed two demonstration curriculums that prospective institutions can use to pilot the C9 Program to ensure it meets their administrative and academic objectives at no cost to the school. The demo ESL curriculums provide content from the A1 and B2 (CEFR) levels are designed to run for six to eight weeks.

It is important to understand that a change in curriculum is not a simple decision for school administrators to make. Institutions will want to test and review any new studies program before replacing the ESL curriculum currently being used. The aforementioned demonstration curriculums are specifically designed to meet this criteria.

The demo ESL programs also provide the Company's regional distributors with an effective marketing tool which has already led to direct sales of the C9 Program as noted in the "Confirmed Sales and Pilot Projects 2016" section.

Pilot Projects 2015

Two pilot projects of four weeks each were conducted in Halifax in July, 2015 during the summer ESL season. The programs used the Cloud Nine ESL Program exclusively and were very highly successful. Students and teachers alike commented on how easy the curriculum was to use. Both programs have been reconfirmed for 2016 and enrolment for the upcoming season, although still four months away, already exceeds the 2015 program.

Confirmed Sales and Pilot Projects 2016

The Company is currently completing its first pilot program in Brazil and already has another pilot scheduled to commence in August, 2016. The second pilot project is at the Sao Paulo branch of Brazil wide chain of schools with a view to implementing the C9 Program in February 2017 which coincides with the start of their new academic year in Brazil. This chain has more than 250,000 students in Sao Paulo State and more than two million students across Brazil.

The Company's C9 ESL Program distributor in Sao Paulo and Rio de Janeiro area estimates that they will secure more than 2,000 before the end of 2016 and more than 2,500 (total) within the next 12 months.

The Company's distributor in Mexico has already developed an initial client base of 400 paying users at five schools with a combined enrolment of more than five thousand students. The revenue from these schools will commence in April 2016

In addition, the Mexican distributor has two pilot projects of eight weeks each confirmed and scheduled to commence on April 11, 2016. One of the schools is a government run institution with an enrolment of more than 6,000 students.

Based on the success of its Mexican distributor over the past four months, the Company estimates that it will have C9 ESL Program sales exceeding 5,000 users before the end of 2016 and total of more than 7,000 paying users within the next 12 months in Mexico.

C9 ESL Program Revenue and Expenses

AEH is charging users \$10 per month, per user in South America to access the Cloud Nine curriculum for a period of 10 months per year to properly account for any holiday periods. In North America the monthly fee is anticipated to be \$45 per month per user and in South Korea, Japan and the Middle East the Company expects to charge \$25 per month, per user.

Users will subscribe and pay for the C9 program directly through the Company's website. This curriculum fee is designed to replace the cost of textbooks currently being charged by educational institutions and school. Of this figure 20-25% is allocated for the distributor who, in addition to cover their own employee salaries, benefits and travel, will share in the cost of regional promotion and technical support with AEH. A further 5-10% will be provided to the institutions which adopt the curriculum.

From its own portion of revenue (70%), the Company has estimated that an allocation 15% will be required to cover the cost of staffing and ongoing development, 10% will be allocated for technical support of the C9 Program and an additional 10% will be allocated to cover the costs of promotion for both the curriculum and Cloud Nine College.

Competitive Advantages

Teacher training has been identified as a central issue of decision makers considering the C9 curriculum. Schools and companies alike want to know the curriculum they choose is properly supported. AEH officials are aware of examples of where the lack of training & support limited or eliminated opportunities for curriculum sales for a corporate competitor,

The Company's recognition as an ESL teacher training center was well received in South America and continues to be a prime selling feature of the Cloud Nine ESL Program. Company management intends to exploit its competitive advantage by offering the teacher training and certification free of charge. It is a nominal cost next to the projected revenue that comes from an institution integration the ICC into their study program. So far as can be ascertained, no other ESL curriculum in Brazil or Chile provides this service.

The Company will continue its rich tradition of ESL teacher training to ensure there is adequate support for the Cloud Nine ESL Program. In this regard the Company was recently approved by Cambridge University and the Province of Nova Scotia to provide the highly regarded CELTA (ESL) teacher training both in-class and on-line.

Curriculum Revenue

Revenues are to be generated by charging students a curriculum fee which replaces the text book fees currently being applied. These charges will vary depending on the country in which AEH is operating. Countries with lower average wages such as South America will be bracketed with a fee of \$10 per month or \$100 for the year. Students in countries such as Canada or the USA will pay between \$40 to \$50 per month or \$400 to \$500 for the year.

The Company's business model is predicated on AEH retaining 70% of the revenue with the remaining 30% being used to compensate regional distributors (20-25%) and participating institutions (5-10%). The distributors are then required to cover all of their own employee wages, benefits and travel costs along with promotional costs within the region they market the C9 Program.

The business model seeks to attract more than 5,000 user in the first 12 months of active marketing so that the C9 Program is able to cover its ongoing operational costs. In order to achieve this objective AEH is working with Canadian government (trade and commerce) officials in Brazil, Mexico and Peru to identify universities, technical institutes, high schools and ESL providers who may have expressed an interest in implementing the C9 program.

The Company is also in the process of formalizing agreements with companies those same countries so that

C9 Program Operational & Marketing Costs

The Company has reviewed the number of C9 ESL Program users required to ensure that the revenues generated by the C9 Program meet the ongoing costs of the operation. Following that assessment, a figure of 5,000 (ongoing) users has been determined to meet the revenue requirements of the Company.

In order to achieve the objective of securing more than 5,000 users within the next 12 months, the Company management team has determined that a working capital pool of \$400,000 will be required. This figure includes development of a website which is capable of automatically generating user names and passwords, secure delivery of the C9 course materials to instructors and paying customers and a robust e-commerce component that can process reoccurring monthly credit card transactions without the need for human intervention.

The \$400,000 working capital figure also provides the necessary funds to meet the Company's teacher training obligations for the C9 curriculum in addition to marketing expenses for Cloud Nine College in Vancouver.

Corporate Competition

The following chart demonstrates how the C9 Program compares to other ESL curriculum developers in Canada, the USA, Britain and Australia.

	Cloud 9 Education Group	ALTA Book Center Publishers	Cambridge University Press	Delta Systems	Dominie Press	Heinle & Heinle	Linmore Publishing	National Centre for English	New Readers Press	Oxford University Press	Perason Education ESL	Pro Linqua Associates	SMRT English	TESOL	University of Michigan Press
Cloud Based Digital Curriculum	✓	x	x	x	x	x	x	x	x	x	x	x	✓	x	x
CEFR Guidelines Applied	✓	x	x	x	x	x	x	x	x	x	x	x	x	x	x
ESL Instructor Certification Provided	✓	x	x	x	x	x	x	x	x	x	x	x	x		x
University Pathways	✓	x	N/A	x	x	x	x	x	x	x	x	x	x	N/A	N/A
Presence in South America or Asia	✓	x	N/A	x	x	x	x	x	x	x	✓	x	✓	N/A	x

Selected Financial Information

A summary of selected financial information for the period ended December 31, 2015 are as follows:

	Three months ended December 31, 2015	Year Ended September 30, 2015
Total assets	614,767	788,601
Intangible assets	222,766	413,711
Goodwill	-	-
Working capital (deficit)	(109,952)	(252,334)
(Deficit)/Equity	(44,794)	(61,660)
Revenue	240,037	1,262,704
(Loss)/Income before other expenses	(166,273)	(587,555)
(Loss)/Income from continued operations	(323,377)	(894,264)
(Loss)/Income from discontinued	(62,757)	(677,024)

Note: The Company's subsidiaries, Anterior Education Systems Ltd, International Language Institute Ltd. and English Canada World Organizations Inc. were private entities at December 31, 2014 and did not report its financials for the three months ended December 31, 2014. The company and BHR Capital Corp. were not yet incorporated as at December 31, 2014.

For the period ended December 31, 2015, the Company reported no changes in accounting policy and declared no cash dividends. As at December 31, 2015 the Company had cash of \$92,513 and working capital deficit of \$109,952.

As at December 31, 2015, the company was no longer operating ILI and EC in Halifax, and the Vancouver campus changed to name from Anterior Education Systems Ltd. DBA "ILI Vancouver" to "Cloud Nine College Ltd. in January 2016. Therefore, the Company recognized an impairment of \$200,000 on the trade name "ILI Vancouver".

During the quarter ended December 31, 2015, the company advanced its Digital curriculum by \$9,055. The company estimates that the project as a whole is roughly 60% complete.

As at December 31, 2015, the Company's curriculum is still in the development stage and will not be depreciated until the curriculum is in full use.

The company's main business development objective is the advancement and subsequently the sale of its C9 Program going forward.

Summary of Quarterly Results

Prior to the acquisition of ILI and EC, the company had no schools and thus had limited expenses including occupancy costs, office and administration, and salaries and benefits.

	1 st Quarter	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
Three months ended	Dec 31, 2015	Sep 30, 2015	Jun 30, 2015	31-Mar-15	Dec 31, 2015
Tuition fees	208,392	222,569	262,172	267,792	202,291
Testing and other income	31,645	59,811	355,785	244,999	216,263
Direct costs	201,952	274,075	345,139	443,299	288,552
Expenses	204,358	291,592	541,848	388,925	302,619
Other expenses	84,558	296,709	10,000	-	-
Impairment of goodwill	200,000	290,575	-	-	-
Comprehensive loss	386,134	463,358	279,030	319,433	172,617
Loss per share-basic and diluted	0.01	0.01	0.01	0.04	-

Note: The 2nd Quarter ended March 31, 2015 and the 1st Quarter ended December 31, 2014 results are for the results of subsidiaries only which include Anterior Education Systems Ltd., International Language Institute Ltd., and English Canada World Organization Inc.

The 1st Quarter results do not include the results of ILI as the results of operations of ILI have been classified as discontinued operations. The loss related to ILI for the year ended is \$62,757.

Other expenses of \$84,558 include gain on disposal of subsidiary of ILI for \$63,727 and interest expense of \$20,831.

On November 2, 2015, the Company entered into an agreement with a former director of the Company to extend the maturity date of a promissory note in the amount of \$100,000. In exchange for \$20,000, the lender agreed to extend the maturity date to December 1, 2016.

The company was no longer operating ILI and EC in Halifax, and the Vancouver campus changed to name from Anterior Education Systems Ltd. DBA "ILI Vancouver" to "Cloud Nine College Ltd. in January 2016. Therefore, the Company recognized an impairment of \$200,000 on the trade name "ILI Vancouver".

The decrease in testing and other income: In July 2015, the Company closed all of its International English Language Testing System ("IELTS") test centres, which were run by EC, including its Vancouver centre, due to uneconomical conditions. The costs to carry out the tests were too high in the Atlantic region and

the weakening of the Canadian dollar against the British Pounds (decrease of more than 30% in the last 3 years) made it financially unviable for the Company to keep offering the IELTS tests. The fees were payable to British Council in British Pounds when the fees collected (\$295 per test) from the test writers were in Canadian dollars.

The company's results for the period ended December 31, 2015 are discussed throughout this document, with further information disclosed for previous quarters within the respective quarterly financial statements and related management's discussion and analysis located on SEDAR.

Results of Operations

The following should be read in conjunction with the unaudited condensed interim consolidated financial statements of the Company and notes attached thereto for the three months ended December 31, 2015.

On October 23, 2015, the Company completed the sale of all of the issued and outstanding securities of International Language Institute Ltd. to an arm's-length third party in consideration for \$102.

	Three months Ended	Three months Ended	
	Dec 31, 2015	Dec 31, 2014	Change
Expenses			
Bank charges	5,762	2,628	3,134
Consulting fees	-	6,386	(6,386)
Depreciation	600	3,462	(2,862)
Insurance	5,146	5,250	(104)
Marketing and advertising	17,470	27,196	(9,726)
Occupancy costs	30,400	103,115	(72,715)
Office and administration	18,331	17,587	744
Professional fees	37,423	3,098	(34,325)
Salaries and benefits	89,226	133,897	(44,671)
	204,358	302,619	(98,261)

Note: The 1st Quarter ended December 31, 2014 results are for the results of subsidiaries only which include Anterior Education Systems Ltd., International Language Institute Ltd., and English Canada World Organization Inc.

The bank charges increased due to the Vancouver campus opening in January 2015 and thus incurring more volume of credit card charges and overseas wire transfers than Halifax campus. Most of the Halifax students are from the Saudi scholarships and they stay for longer periods compared to the students in Vancouver who are very seasonal.

Consulting fees for the three months ended in December 2014 include fees paid to the former owner of ILI and EC (\$6,000) and none for the three months ended in December 31, 2015.

Marketing and advertising decreased as the Company focussed its efforts on developing the Cloud Nine ESL program curriculum rather than trying to attract foreign students to its Vancouver campus. The

Vancouver campus is mainly operating to show case the use and the development of the company's proprietary digital curriculum.

The occupancy costs reduced by approximately \$34,000 per month due to the sale of ILI in Halifax in October 2015, which resulted in the Company having one school campus in Vancouver (monthly rent of approximately \$11,000 per month in Vancouver compared to monthly rent of approximately \$34,000 per month in Halifax campus). As of October 2015, the company was no longer operating in Halifax, Nova Scotia.

For the three months ended December 31, 2015, professional fees increased significantly due to the following costs: accounting and legal \$13,920, Corporate secretary \$5,020, Investor presentations \$7,420, and legal fees related to the sale of ILI Halifax \$11,050.

Salaries and benefits for the three months ended in December 31, 2015 include the Vancouver campus operation whereas the December 31, 2014 includes both Vancouver and Halifax campuses.

Liquidity and Capital Resources

As at December 31, 2015 the Company had cash of \$92,513 and working capital deficit of \$109,952 and includes deferred revenue of \$177,160. The changes in cash and working capital are attributed to the Company closing its financing through the issuance of common shares in October 2015.

For the three months ended December 31, 2015, the company raised a total of \$388,000 through the issuance of its common shares via non-brokered private placements and received \$15,000 from share subscriptions where shares were issued after December 31, 2015.

On November 2, 2015, the Company entered into an agreement with a former director of the Company to extend the maturity date of a promissory note in the amount of \$100,000. In exchange for \$20,000, the lender agreed to extend the maturity date to December 1, 2016.

Related Party Transactions

At December 31, 2015, the Company was indebted to the Chief Executive Officer ("CEO") of the Company for \$6,500 (September 30, 2015 - \$21,500), which is non-interest bearing, unsecured and due on demand.

At December 31, 2015, the Company was indebted to a former director of the Company for \$100,000, pursuant to a promissory note dated September 30, 2014. The amount is non-interest bearing, unsecured and was due on September 30, 2015. In December, the Company entered into an agreement to extend the maturity date to December 1, 2016 for a one-time payment of \$20,000.

At December 31, 2015, the Company was indebted to the chairman of the Company for \$26,953, pursuant to a promissory note dated August 12, 2015. The amount is unsecured, non-interest bearing and was due on September 12, 2015. Pursuant to the promissory note, a one-time payment charge of \$1,000 is payable as the amount was not paid by the maturity date. In addition, interest of 1% compounded monthly is due on the outstanding principal and interest. At December 31, 2015, the Company recognized accrued interest of \$953.

During the three months ended December 31, 2015, the Company paid salaries and benefits of \$30,000 (December 31, 2014 - \$15,000) to the CEO of the Company, \$22,500 (December 31, 2014 - \$10,500) to the Chief Financial Officer ("CFO") of the Company.

The Company did not incur any directors' fees in 2015.

Summary of key management personnel compensation:
For the period ended December 31, 2015:

	Three months ended, Dec 31, 2015	Year ended, September 30, 2015	Three months ended, Dec 31, 2014
Wages and salaries	52,500	\$ 187,050	\$ 35,116
Share-based compensation	-	61,810	Nil
	52,500	\$ 248,860	\$ 35,116

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including directors of the Company,

Going concern

The Company incurred a net comprehensive loss of \$386,134 (2014 - \$172,617) during the three months ended December 31, 2015. As at December 31, 2015, the Company had a working capital deficiency of \$109,952 (September 30, 2015 - \$252,443) and an accumulated deficit of \$1,988,941 (September 30, 2015 - \$1,602,807). The operating and cash flow results raise uncertainty about the ability of the Company to continue as a going concern.

The continued operations of the Company are dependent on future profitable operations, management's ability to manage costs and the future availability of equity or debt financing. The above facts indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. These condensed interim consolidated financial statements have been prepared on the basis the Company will operate as a going concern, which contemplates the realization of assets and settlement of liabilities and commitments in the normal course of business. These condensed interim consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

The Company may seek additional financing through debt or equity offerings, but there can be no assurance that such financing will be available on terms acceptable to the Company or at all. Any equity offering will result in dilution to the ownership interests of the Company's shareholders and may result in dilution to the value of such interests.

Contractual Obligations

The Company is committed to minimum rental amounts for a lease for a long-term lease for premises. The Vancouver campus is \$10,872/month (signed a 5 year lease starting on March 1, 2015).

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, an effect on the results of operations or financial condition of the Company.

Risks and Uncertainties

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

a) Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents and sundry receivable. Cash and cash equivalents balances are held with a reputable financial institution, from which management believes the risk of loss to be remote. Management believes that the credit risk concentration with respect to financial instruments included in sundry receivable is remote.

b) Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2015, the Company had a cash balance of \$109,952 to settle current liabilities of \$152,662. All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

c) Future Financing Risk

The Company is in the early stages of business and has not generated a significant amount of revenue. The Company will likely operate at a loss until its business becomes established and the Company may require additional financing in order to fund future operations and expansion plans. The Company's ability to secure any required financing to sustain operations will depend in part upon prevailing capital market conditions and business success. There can be no assurance that the Company will be successful in its efforts to secure any additional financing or additional financing on terms satisfactory to management. If additional financing is raised by issuance of additional Shares, control may change and shareholders may suffer dilution. If adequate funds are not available, or are not available on acceptable terms, the Company may be required to scale back its current business plan or cease operating.

d) Going-Concern Risk

The Company's Financial Statements have been prepared on a going-concern basis under which an entity is considered to be able to realize its assets and satisfy its liabilities in the ordinary course of business. The Company's future operations are dependent upon the identification and successful completion of equity or debt financing and the achievement of profitable operations at an indeterminate time in the future. There can be no assurances that the Company will be successful in completing equity or debt financing or in achieving profitability. The Financial Statements do not give effect to any adjustments relating to the carrying values and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern.

e) Increased Costs of Being a Publicly Traded Company

As the Company will have publicly-traded securities, significant legal, accounting and filing fees will be incurred that at present, are not. Securities legislation and the rules and policies of the Exchange require publicly listed companies to, among other things, adopt corporate governance policies and related practices and to continuously prepare and disclose material information, all of which will significantly increase legal, financial and securities regulatory compliance costs.

f) Technology Risk

The Company's products and services are partially dependent upon advanced technologies which are susceptible to rapid technological changes. There can be no assurance that the Company's products and services will not be seriously affected by, or become obsolete as a result of, such technological changes. Further, some of the Company's services and products are currently under development and there can be no assurance that the Company's development efforts will result in viable results as conceived by the Company or at all.

There is a risk that technologies similar to the Company's Cloud 9 ESL Program could reach the market before its own; that similar products may be developed after the Cloud 9 ESL Program which may include features more appealing to customers; and that other products competing with the Company's Cloud 9 ESL Program may use advanced technology not yet incorporated in the Company's Cloud 9 ESL Program. There is also a risk that certain consumers may not accept or adopt the Company's Cloud 9 ESL Program. The occurrence of any of these events could negatively impact the level of interest generated in the Cloud 9 ESL Program and thus limit the potential revenues to be generated by the Cloud 9 ESL Program.

g) Overseas Recruitment

A portion of the Company's Canadian business is generated through overseas recruitment activities that require students to apply for student visas, and this exposes the Company to the risk of visa and immigration policy changes. The Company has greatly increased overseas student recruitment activity from a number of countries in addition to its domestic recruitment. Overseas student recruitment is subject to uncertainty as it is contingent upon student applications for student visas. The Company's overall business and ability to generate revenues may be negatively impacted by any reductions to the student visa program by the Canadian government. Furthermore, the Company may suffer a material adverse change if the Canadian government decreases the number of student visas offered to foreign countries where the Company actively recruits students.

Financial Instruments and Other Instruments

The Company's financial instruments consist of cash, and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

The Company is not involved in any hedging program, nor is it a party to any financial instruments that may have an impact on its financial position.

Critical Accounting Policies

A detailed summary of all the Company's significant accounting policies is included in Note 2 to the audited financial statements for the period ended December 31, 2015.

Capital Management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the general operations of the Company and facilitate the liquidity needs of school operations. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital to include its working capital position, capital stock and accumulated deficit.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the period ended December 31, 2015. The Company is not subject to externally imposed capital requirements.

Subsequent Events:

On January 15, 2016, Anterior Education Systems Ltd. changed its name to Cloud Nine College Ltd.

Subsequent to the period ended December 31, 2015, a total of 47,500 stock options exercisable at \$0.10 per share expired unexercised.

Outstanding Share Data

The company's authorized capital is unlimited common shares without par value. The following table summarizes the outstanding share capital as of February 26, 2016:

	<u>Number of shares</u>	<u>Exercise price</u>	<u>Expiry date</u>
Issued and outstanding common shares at February 26, 2016	29,609,210		
Warrants outstanding	6,880,730	\$0.10-0.50	February 4, 2016 to November 23, 2017
Options outstanding	967,500	\$0.10	April 2, 2020
	<hr/>		
Fully diluted at February 26, 2016	<u>37,457,440</u>		

The Company has a stock option plan (the "Plan") for directors, officers, key employees and consultants of the Company. The number of common shares subject to the options granted under the Plan is limited to 10% of the issued and outstanding common shares of the Company and no one person may receive in excess of 5% of the outstanding common shares of the Company. Currently no options have been granted or are outstanding.

Management's Responsibility for Financial Information

The Company's financial statements are the responsibility of the Company's management, and have been approved by the board of directors. The financial statements were prepared by the Company's management in accordance with International Financial Reporting Standards ("IFRS") as issued by the International

Accounting Standards Board (“IASB”). The financial statements include certain amounts based on the use of estimates and assumptions.

Management has established these amounts in a reasonable manner, in order to ensure that the financial statements are presented fairly in all material respects.

Approval

On February 29, 2016, the Board of Directors of Anterior Education Holdings Ltd. has approved the disclosure contained in this MD&A.

Rebranding Website Domains & Logos for Cloud Nine

Website Domains

www.c9eg.com

www.cloudnineeducationgroup.com

www.cloudninesl.com

www.c9college.com

www.cloudninecollege.com

Company Logos





OVERVIEW OF THE Cloud Nine ESL PROGRAM

What is the Cloud Nine ESL PROGRAM?

The **Cloud Nine ESL PROGRAM** is a digitally based English language educational program designed to maximize learning outcomes through a student-centered, communicative approach to learning. The learning outcomes targeted are based on the Common European Framework of Reference (CEFR). Notwithstanding other approaches such as Present, Practice, Produce (PPP), Test, Teach, Test (TTT), Task-based activities are used as the principal form of instruction to engage students with practical, relevant materials that serve as the basis for interaction and collaboration. Instructional units are linked by a contextual theme to create unity between components and modules and to provide students with relevant communicative opportunities to acquire the language at the level they are studying towards.

Curriculum Methodology

In language training, digital communication has given rise to the *flipped classroom*, an approach that enables teachers and students to move away from an instruction-based model of learning. Students can now spend more class time practicing the target language in meaningful interactions and contexts (The Communicative Approach). The approach also lends itself to peer teaching/learning and student-lead learning. With appropriate online digital materials, students now have an outlet to learn at their own pace and teachers have more time for individualized support during class time. For example, a video grammar presentation can be shared with students to watch outside of the classroom. The students can stop and repeat the video as many times as they need to. They can also assess the level to which they have acquired the information through online comprehension checks that include automatic assessment and feedback. Students access the information in their own comfortable environment, and the next day in class, teachers can offer support to those who need it while they guide others to take what they have learned to a new level. The more advanced students can help their peers. All students progress at their own pace.

The **Cloud Nine ESL PROGRAM** is designed to exploit this method in order to achieve superior student outcomes in language acquisition. Additionally, this approach increases the flexibility of the curriculum, giving it an organic, adaptable aspect that can be easily shaped to fit a wide variety of schedules, time frames and school structures.

Targeted Outcomes

The **Cloud Nine ESL PROGRAM** is based on the Common European Framework of Reference (CEFR). The CEFR has provided a set of *Common Reference Levels* that are now used worldwide to describe various degrees of a language user's competence. Level descriptors can be found in **Schedule A**.

Delivery Modules & Time Frames

Each module contains four lessons. Teachers can use the *flipped classroom* to assign a variety of homework activities. Classes have the option of spending more or less time on a particular theme or linguistic component. Teachers have discretion about how much work to assign, either at home or in the classroom based on emerging and evolving student needs. They can introduce their own supplementary activities or incorporate appropriate field trips or other out-of-class learning activities. The curriculum ultimately seeks to map learning and input materials to the individual and group needs of the learners.

Content

1. Use of context as a communicative vehicle:

A contextual theme gives unity to each module to engage students in the material, practice using vocabulary, and make connections between ideas. For example, in the Academic Preparation unit, the overarching theme is “Neuroscience & Human Behavior.” Within this theme, the lessons develop five sub-themes:

- (1) how the brain works,
- (2) the effect of music on the brain,
- (3) stress,
- (4) learning styles, and
- (5) the benefit of play.

Another unit develops the overarching theme of “Environment” with such sub-themes as

- (1) At work,
- (2) Living somewhere new,
- (3) Social Media,
- (4) Climate & weather,
- (5) Human Impact on the environment, and
- (6) Technological environment.

The use of context also helps the learners relate language to the real world and indeed their own lives thus lowering their affective filter and enhancing the second language acquisition potential.

2. Language Systems

- Lexis. A principled approach is brought to teaching lexis such as through the use of visuals, realia, examples, gestures, marker sentences, flooded texts etc. in order to provide students with contextualized opportunities to deductively acquire new lexis. This is enhanced by collaboratively working in real time to produce materials and practice exercises that supplement those materials

provided by the curriculum itself. Discrete language items are avoided and in their place a mostly lexical approach is employed which focuses on noticing the priming of language, the occurrence of collocation and indeed frozen collocations such as idiomatic language.

- Grammar. In part, presentations of new grammar will be done through the medium of a video set for homework. A somewhat *macro test teach test* approach is employed in that, upon watching the presentation of language via a video the students are then tested/given a quiz for which they can return to the video at any point during the quiz in order to answer the question. This approach is employed to help the students focus on relevant aspects of meaning, form, and phonology (MFP) before the lesson begins. In this way more class time is spent practicing and upgrading the student's accuracy and fluency with the target language.
- Functional language. Principally situational presentations of language are done in class in order to provide students with time to practice contextualized exponents of functional language. A strong focus is given to the use of role-play and intonation in order to help students acquire chunks of language appropriate to situations and contexts.
- Pronunciation. Pronunciation is standard practice and will form part of any language lesson (i.e. grammar, lexis, functions). However, where recurring pronunciation problems occur pronunciation will also be treated alone as follows: having been presented with target sounds, students work to match these sounds to vocabulary that has been presented earlier in the course. This allows for both targeted pronunciation and vital recycling of target language. Exploiting the collaborative functionality of the technology employed for the ILI CLOUD Curriculum, each student or group contributes to the identification and upgrading of the use of those sounds.
- Receptive Skills: Listening. To adopt a flipped classroom approach to listening, students are assigned videos or podcasts in order to activate schemata. They are also periodically encouraged to collaborate on prediction tasks prior to the beginning of a lesson. Then in class, prediction tasks could be used to replace the curriculum prescribed gist tasks. In any case, prediction is an intrinsic receptive sub-skill that needs development. Specific information tasks take focus on the communicative aspect of scanning i.e. they ensure that simple 'lifting' of information is avoided and true bottom-up sub-skills are developed. Along with these core sub-skills (predicting, skimming & scanning) others are also developed, e.g. connected speech, turn taking, and speaker's attitude.

- Receptive Skills: Reading. Similar to listening above, students are allowed to familiarize themselves with contexts and core contexts before the lesson begins. Once again, predicting and activation of schemata can be done before lessons so that more time developing sub-skills can happen. Gist and specific information along with another, potentially language based sub-skill (e.g. inferring meaning from context) are developed in order to fully maximize the learning potential from texts.
 - Follow up activities to receptive skills tasks: traditionally students will follow up to a receptive skills task via a productive skill i.e. speaking or writing and this is also true of the ILI CLOUD curriculum. However, they will also be encouraged select and suggest further texts, podcasts, videos etc. This will deepen students' involvement in the direction of their own learning, strengthen the learning partnership, and enhance intrinsic motivation.
- Productive Skills: Speaking. At the heart of the communicative approach is the information gap. This is at the core of all speaking activities whether they are for language practice or for developing speaking sub-skills. Those sub-skills include, but are not limited to; turn taking, interjecting, non-verbal communication repair and repetition, grammatical range, lexical range, use of discourse markers, appropriateness, and register
- Productive Skills: Writing. In keeping with standard best practice approaches to teaching writing Product and Process writing frameworks are employed. Aspects of writing such as genre, layout, register, tone, cohesion, discourse markers, grammatical/lexical range and accuracy, repetition etc. are all dealt with. There will be a greater focus on collaborative writing and peer correction, again through the implementation and exploitation of the ILI CLOUD curriculum technological presentation platform. Writing lessons are enhanced through presentation and correction mediums such as iMovie, Screen-o-matic, Educreations, Blogger etc.

Delivery Platform

The curriculum is organized and stored in a system of folders and delivered through Google Drive and Google Classroom. Each module includes a comprehensive lesson plan, and all documents and presentations for the lesson are hyperlinked to the lesson plan the teachers review before each class. The teacher can deliver this material to students in various ways, and the curriculum provides instructional screencast videos to help teachers choose the most appropriate form of delivery. This delivery platform also allows students and teachers to collaborate on documents in real time, and provides a forum for feedback both in and outside the classroom. Comprehension checks (such as quizzes) are delivered online and the results are automatically generated for the teacher when students submit their answers. The organization of the delivery platform is attached as **Schedule B**. The contents of the delivery platform are attached as **Schedule C**.



Assessment

The curriculum encourages a quiz on material covered every four lessons for progress checking. The quizzes give students an opportunity to process and review information covered, and identify areas with which they may continue to have difficulty. In addition, new students can use the test in order to identify where they need to focus so as to quickly integrate with level and pace of the current learners.

The **Cloud Nine ESL PROGRAM** uses the following evaluation scheme, but instructors are encouraged to modify this scheme to meet their local needs:

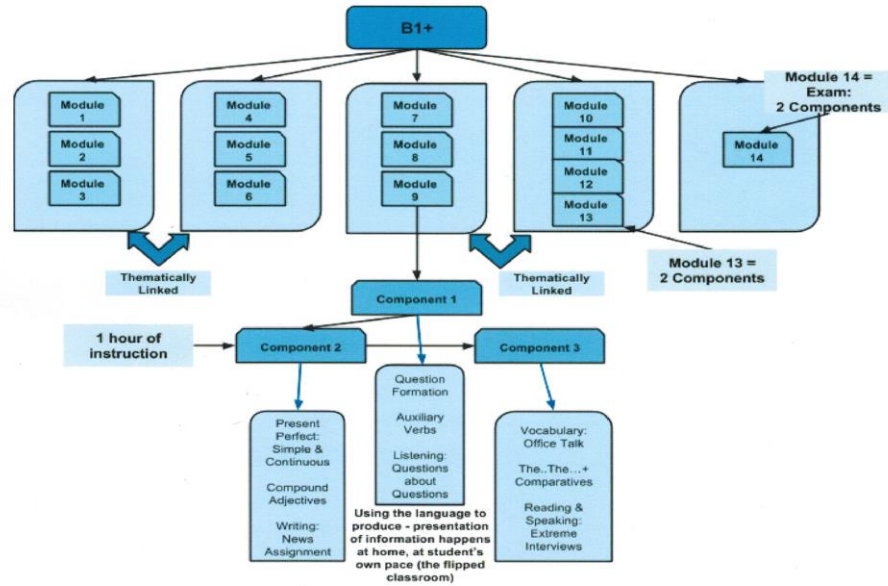
- Participation 15%
- Writing 20%
- Presentations 20%
- Quizzes 15%
- Exams 30%

Participation includes attendance, contributions to classroom activities, completion of homework, peer evaluations, self-evaluations, and journal writing.

Table 1. Common Reference Levels: global scale

Proficient User	C2	Can understand with ease virtually everything heard or read. Can summarise information from different spoken and written sources, reconstructing arguments and accounts in a coherent presentation. Can express him/herself spontaneously, very fluently and precisely, differentiating finer shades of meaning even in more complex situations.
	C1	Can understand a wide range of demanding, longer texts, and recognise implicit meaning. Can express him/herself fluently and spontaneously without much obvious searching for expressions. Can use language flexibly and effectively for social, academic and professional purposes. Can produce clear, well-structured, detailed text on complex subjects, showing controlled use of organisational patterns, connectors and cohesive devices.
Independent User	B2	Can understand the main ideas of complex text on both concrete and abstract topics, including technical discussions in his/her field of specialisation. Can interact with a degree of fluency and spontaneity that makes regular interaction with native speakers quite possible without strain for either party. Can produce clear, detailed text on a wide range of subjects and explain a viewpoint on a topical issue giving the advantages and disadvantages of various options.
	B1	Can understand the main points of clear standard input on familiar matters regularly encountered in work, school, leisure, etc. Can deal with most situations likely to arise whilst travelling in an area where the language is spoken. Can produce simple connected text on topics which are familiar or of personal interest. Can describe experiences and events, dreams, hopes and ambitions and briefly give reasons and explanations for opinions and plans.
Basic User	A2	Can understand sentences and frequently used expressions related to areas of most immediate relevance (e.g. very basic personal and family information, shopping, local geography, employment). Can communicate in simple and routine tasks requiring a simple and direct exchange of information on familiar and routine matters. Can describe in simple terms aspects of his/her background, immediate environment and matters in areas of immediate need.
	A1	Can understand and use familiar everyday expressions and very basic phrases aimed at the satisfaction of needs of a concrete type. Can introduce him/herself and others and can ask and answer questions about personal details such as where he/she lives, people he/she knows and things he/she has. Can interact in a simple way provided the other person talks slowly and clearly and is prepared to help.

SCHEDULE B



FOLDERS

Schedule C

1. **The Teacher Documents** folder includes:
 - Comprehensive Lesson Plans
 - Answer Keys
 - Transcripts
 - Resource materials
2. **The Lesson Documents** (that can be shared with students) folder includes:
 - Course Outlines
 - Activities instructions
 - Rubrics and criteria
 - Informational notes
 - List of quiz components
3. The **Vocabulary** folder includes
 - Vocabulary lists
 - Vocabulary exercises
 - Vocabulary activities
4. The **Reading** folder includes
 - Texts
 - Assignments
 - Comprehension activity exercises
 - Links to articles
5. The **Writing** folder includes
 - Writing prompts
 - Writing assignments & criteria
 - Templates to be filled in by students
6. The **Speaking** folder includes
 - Speaking prompts
 - Speaking assignments criteria
 - Instructions for speaking activities
7. The **Listening** folder includes
 - Listening selections
 - Vocabulary to be heard
 - Listening activity instructions
 - Transcripts
8. The **Grammar** folder includes
 - Information on grammatical structures
 - Grammar games
 - Grammar activities
 - Grammar exercises
 -
9. The **Structure** folder includes
 - Organizational patterns for writing
 - Organizational patterns for speaking
 - Note taking techniques
 - Transitional words & phrases
 - Quizzes
10. The **Tests and Exams** folder includes
 - Exams that are named by their **F**older / **L**esson / **C**omponent / **T**ile. For example: **Reading 1 B - C** comprehension Questions The Science of Art (Reading 1A). In this example, the exam is from Lesson 1, it is in the reading folder, and it is the second (B) reading component of the folder.