A copy of this preliminary prospectus has been filed with the securities regulatory authority in British Columbia, Alberta, Manitoba, Saskatchewan and Ontario but has not yet become final for the purpose of the sale of securities. Information contained in this preliminary prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the prospectus is obtained from the securities regulatory authority.

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.

These securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), or any state securities laws and may not be offered or sold in the United States except in compliance with exemptions from the registration requirements of the U.S. Securities Act and applicable state securities laws. Accordingly, the securities will only be offered or sold within the United States pursuant to available exemptions from the registration requirements under the U.S. Securities Act and in compliance with applicable state securities laws. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the Units (or underlying Warrants and Shares) offered hereby in the United States.

PRELIMINARY PROSPECTUS

Initial Public Offering June 30, 2016

CLOUD NINE EDUCATION GROUP LTD.

Minimum Offering: $500,000 or 2,000,000 Units (the "Minimum Offering")
Maximum Offering: $1,500,000 or 6,000,000 Units (the "Maximum Offering")

This offering of units (the "**Units**") of the Company consists of an initial public offering of a minimum of 2,000,000 Units and a maximum of 6,000,000 Units by the Company (the "**Offering**") at a price of $0.25 per Unit (the "**Offering Price**"). Each Unit consists of one common share of the Company (a "**Share**") and one-half of one common share purchase warrant (each whole such warrant, a "**Warrant**"). Each Warrant will entitle its holder to purchase one Share at a price of $0.50 at any time prior to 4:30 p.m. (Vancouver time) on the date that is 18 months following the closing of the Offering (the "**Closing**"). The Shares and the Warrants comprising the Units will separate immediately at Closing. The Units are being offered for sale by Mackie Research Capital Corporation (the "**Agent**"). The Offering Price was determined by negotiation between the Company and the Agent.

Price: $0.25 per Unit

	Price to public	**Agent's Fees(1) (2)**	**Net Proceeds to the Issuer(3)**
Per Unit…………………………………………..	$0.25	$0.0225	$0.2275
Minimum Offering……………………………….	$500,000	$45,000	$455,000
Maximum Offering………………………………	$1,500,000	$135,000	$1,365,000

(1) The Agent will receive a fee of nine percent (9%) of the gross proceeds from the sale of the Units offered hereby. See "Plan of Distribution".

(2) In addition to the Agent's fee, the Agent will receive warrants (the "**Agent's Warrants**") entitling the Agent to subscribe for that number of Shares as is equal to 9% of the aggregate number of Units sold pursuant to the Offering. Each Agent's Warrant is exercisable to purchase one Share at the Offering Price for a period of 18 months following the Closing. The Agent will also receive a corporate finance fee (the "**Corporate Finance Fee**") of $20,000 plus GST if gross proceeds of less than $850,000 are raised under the Offering or $30,000 plus GST if gross proceeds of a minimum of $850,000 are raised under the Offering. This

prospectus also qualifies the distribution of the Agent's Warrants and the Shares issuable upon the exercise of the Agent's Warrants. The Company will also pay the Agent's expenses, including legal fees and disbursements. See "Plan of Distribution".

(3) Before deducting the expenses of the Offering, estimated at $57,750 in the event of the Minimum Offering and $63,000 in the event of the Maximum Offering, payable by the Company. These expenses will be paid from the proceeds of this Offering.

The following table sets out the number of securities issuable pursuant to the Agent's Warrants:

Agent's Position	Maximum Size or Number of Securities Available	Exercise Period or Acquisition Date	Exercise Price
Agent's Warrants	540,000 Agent's Warrant Shares	18 months following the Closing	$0.25 per Agent's Warrant Share
Total securities issuable to the Agent	540,000 Agent's Warrant Shares	18 months following the Closing	$0.25 per Agent's Warrant Share

There is currently no market through which the Units, the Shares and the Warrants may be sold and purchasers may not be able to resell securities purchased under this Prospectus. This may affect: the pricing of the Shares in the secondary market; the transparency and availability of trading prices; the liquidity of the Shares; and the extent of issuer regulation. See also “Risk Factors”.

As at the date of this prospectus, the Company does not have any of its securities listed or quoted, has not applied to list or quote any of its securities, and does not intend to apply to list or quote any of its securities, on the Toronto Stock Exchange, Aequitas NEO Exchange Inc., a U.S. marketplace, or a marketplace outside Canada and the United States of America (other than the Alternative Investment Market of the London Stock Exchange or the PLUS markets operated by PLUS Markets Group plc).

The Company has applied to list on the Canadian Securities Exchange (the "**CSE**") the Shares, the Warrant Shares, and the Agent's Warrant Shares. Listing will be subject to the Company fulfilling all of the listing requirements of the CSE, including without limitation, the distribution of the Offered Shares to a minimum number of public shareholders and the Company meeting certain financial and other requirements. The Company does not intend to apply for listing of the Warrants on any securities exchange or for inclusion in any automated quotation system.

The Agent, as agent of the Issuer for the purposes of the Offering, conditionally offer the Units for sale on a commercially reasonable efforts basis and subject to prior sale, if, as and when issued by the Issuer and accepted by the Agent, in accordance with the conditions contained in the Agency Agreement (as hereinafter defined and referred to under “Plan of Distribution”).

The Offering is subject to the receipt by the Agent of subscriptions for the Minimum Offering in the amount of $500,000. Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. If the Minimum Offering is not completed within 90 days of the issuance of a receipt for the final prospectus, or if a receipt has been issued for an amendment to the final prospectus, within 90 days of the issuance of such receipt and in any event not later than 180 days from the date of receipt for the final prospectus, the distribution will cease, and all subscription monies will be returned to the purchasers without interest or deduction, unless the purchasers have otherwise instructed the Agent.

An investment in the Units is speculative and involves a high degree of risk. In reviewing this Prospectus, you should carefully consider the matters described under the heading “*Risk Factors*”.

Certain legal matters relating to the securities offered hereby will be passed upon by DuMoulin Black LLP, Vancouver, British Columbia, and as to tax matters by Thorsteinssons LLP, Vancouver, British Columbia, on behalf of the Issuer and by Getz Prince Wells LLP, on behalf of the Agent. No person is authorized by the Issuer to provide any information or make any representations other than those contained in this Prospectus in connection with the issue and sale of the securities offered hereunder.

The Issuer’s head office is located at 900 – 549 Howe Street, Vancouver, British Columbia V6C 2C2 and its registered and records office is located at 10th Floor, 595 Howe Street, Vancouver, British Columbia, V6C 2T5. No person is authorized to provide any information or to make any representation in connection with this Offering other than as contained in this prospectus.

Agent:

Mackie Research Capital Corporation.
Suite 1920 – 1075 W Georgia Street Vancouver, BC V6E 3C9
Phone: (778) 373-4100 Fax: (778) 373-4101

*The securities offered hereby have not been, and will not be, registered under the U.S. Securities Act, or any securities laws of any state of the United States. Accordingly, except as permitted under the Agency Agreement, the securities offered hereby may not be offered, reoffered, sold, resold or delivered, directly or indirectly, in the United States of America, its territories or its possessions, any state of the United States or the District of Columbia (the "**United States**"), or to, or for the account or benefit of, persons in the United States. This preliminary prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby in the United States or to, or for the account or benefit of, persons in the United States. See "Plan of Distribution".*

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GLOSSARY OF TERMS

The following is a glossary of certain terms used in this Prospectus. Terms and abbreviations used in the Financial Statements and also appearing in the documents attached as schedules to the Prospectus may be defined separately and the terms and abbreviations defined below may not be used therein, except where otherwise indicated. Words below importing the singular, where the context requires, include the plural and vice versa, and words importing any gender include all genders.

Agency Agreement	means the agency agreement dated July ●, 2016 between the Company and the Agent.
Agent	means Mackie Research Capital Corporation.
Agent's Warrants	means the common share purchase warrants to be issued to the Agent as partial consideration for acting as agent in the Offering. Each Agent's Warrant will entitle the holder to purchase one Share at a price of $0.25 at any time prior to 4:30 p.m. (Vancouver time) on the date that is 18 months following the Closing.
Agent's Warrant Shares	means the Shares issuable upon exercise of the Agent's Warrants.
Arrangement Agreement	means the arrangement agreement dated April 14, 2015 among PlanCo, BHR and the Company.
Arrangement	means the statutory plan of arrangement attached to the Arrangement Agreement.
BCBCA	means the *Business Corporations Act,* S.B.C. 2002, c. 57 including the regulations thereunder, as amended.
BHR	means BHR Capital Corp., a British Columbia company incorporated under the BCBCA on December 3, 2014 under incorporation number BC1020797, and a wholly owned subsidiary of the Company.
Board	means the board of directors of the Company.
CEO	means Chief Executive Officer.
CELTA	means Certificate in English Language Teaching to Speakers of Other Languages and is an initial teacher training qualification for teaching English as a second or foreign language (ESL and EFL).
CEFR	means the internationally recognized Common European Frame of Reference, as designed by the Council of Europe[1] to provide a transparent, coherent and comprehensive basis for the elaboration of language syllabuses and curriculum guidelines, the design of teaching and learning materials, and the assessment of foreign language proficiency.
CFO	means Chief Financial Officer.

[1] Common European framework of reference for languages: learning, teaching assessment (http://www.coe.int/t/dg4/linguistic/cadre1_en.asp)

Cloud Nine College	means Cloud Nine College Ltd. (formerly Anterior Education Systems Ltd.), a British Columbia company incorporated under the BCBCA on June 28, 2013 and an indirect wholly owned subsidiary of the Company.
Cloud Nine ESL Program	means the Cloud Nine ESL Program, which is the proprietary, digital based ESL curriculum developed by the Company.
Closing	means the closing of the Offering.
Closing Date	means the date of closing of the Offering.
Company	means Cloud Nine Education Group Ltd., a British Columbia company incorporated under the BCBCA on April 14, 2015.
Corporate Finance Fee	means the corporate finance fee payable to the Agent pursuant to the Agency Agreement in the amount of $20,000 plus GST if gross proceeds of less than $850,000 are raised under the Offering or $30,000 plus GST if gross proceeds of a minimum of $850,000 are raised under the Offering.
EC	means English Canada World Organization Inc., a company incorporated in Nova Scotia and an indirect wholly owned subsidiary of the Company.
ESL	means English as a second language.
Exchange	means the Canadian Securities Exchange.
Financial Statements	means the financial statements attached to this Prospectus as follows: • reviewed unaudited interim financial statements of the Company for the period ended March 31, 2016, attached to this Prospectus as Schedule A; • audited consolidated annual financial statements of the Company for the financial year ended September 30, 2015, attached to this Prospectus as Schedule C; • reviewed unaudited annual financial statements of EC for the financial year ended September 30, 2014 and reviewed balance sheet for the financial year ended September 30, 2013, attached to this Prospectus as Schedule E; and • audited annual financial statements of BHR from December 3, 2014 (date of incorporation) to March 31, 2015, attached to this Prospectus as Schedule F.
Google Classroom	means a blended learning platform for schools and educators that aims to simplify creating, distributing and grading assignments in a paperless way.
Google Drive	means a file storage and synchronization service created by Google, which allows users to store files in the cloud, share files, and edit documents, spreadsheets, and presentations together with other users.
IELTS	means International English Language Testing System.
IFRS	means International Financial Reporting Standards.
ILI	means International Language Institute Ltd., previously a wholly-owned subsidiary of the Company.

ILI/EC Acquisition Agreement	means the share purchase agreement dated September 27, 2014 among Cloud Nine College, as purchaser, and the former shareholders of ILI and EC, as vendor, ILI and EC, setting out the terms for the acquisition by Cloud Nine College of 100% of the issued and outstanding shares of ILI and EC.
ILI Sale Agreement	means the share purchase agreement dated October 23, 2015 among the Company and EC, as vendor, and an unrelated third party, as purchaser, setting out the terms for the purchase by the unrelated third party of 100% of the issued and outstanding shares of ILI and certain indebtedness owed to the Company and EC by ILI.
Lexis	means the vocabulary of a language, as distinct from its grammar; the total stock of words and combinations of them peculiar to or characteristic of a particular language or dialect.
Listing	means the listing of the Shares on the Exchange.
Listing Date	means the date on which the Shares are listed for trading on the Exchange.
Named Executive Officers or NEO	means (a) the CEO, including individuals performing functions similar to a CEO; (b) the CFO, including individuals performing functions similar to a CFO; and (c) the three most highly compensated executive officers other than the individuals identified in (a) and (b), at the end of the most recently completed financial year whose total compensation was more than $150,000 for that financial year.
Offering	means the Company's initial public offering of Units at a price of $0.25 per Unit for gross proceeds of a minimum of $500,000 and a maximum of $1,500,000 to be conducted by the Agent concurrently with the Listing.
NP 51-201	means National Policy 51-201 *Disclosure Standards.*
Prospectus	means this prospectus dated as of the date on the cover page.
PlanCo	means Cervantes Capital Corp., a British Columbia company incorporated under the BCBCA on October 26, 2014 under incorporation number BC1017343 and a reporting issuer in British Columbia and Alberta.
PlanCo Controlling Shareholder	means Carlos Cervantes, a director, officer and shareholder of PlanCo, holding more than 50% of the shares of PlanCo.
Record Date	means April 16, 2015, the date set by PlanCo that established the PlanCo securityholders who were entitled to receive the Distribution Shares pursuant to the Arrangement.
Share Exchange Agreement	means the share exchange agreement dated February 6, 2015, as amended on March 11, 2015 and April 16, 2015, among BHR, Cloud Nine College and the shareholders of Cloud Nine College, pursuant to which on closing BHR acquired 100% of the outstanding shares of Cloud Nine College held by such shareholders at the April 16, 2015 record date in exchange for an aggregate of 12,844,110 shares of BHR at a deemed price of $0.10 per share.
Shares	means the common shares without par value of the Company.
Stock Restriction Agreements	means the amended and restated stock restriction agreements dated April 30, 2016 between the Company and certain shareholders of the Company.

TLSL	means Target Language Services Ltd., an ESL school operator in Brazil which has tested the Company's ESL curriculum and now works with the Company to market the Cloud Nine ESL Program in Brazil.
Trustco	means Computershare Investor Services Inc.
TSX	means Toronto Stock Exchange.
TSX-V	means TSX Venture Exchange.
Units	means the units offered hereby, each Unit will consist of one Share and one-half of one Warrant.
United States	means the United States of America, its territories and possessions, any state of the United States, and the District of Columbia.
U.S. Securities Act	has the meaning ascribed to it on the cover page of this Prospectus.
Warrant Agent	means Computershare Trust Company of Canada.
Warrants	means the common share purchase warrants that the Company is selling as a portion of the Units sold in the Offering. Each Warrant will entitle its holder to purchase one Share at a price of $0.50 at any time prior to 4:30 p.m. (Vancouver time) on the date that is 18 months following the Closing.
YCL	means You Can Learn, a Toronto based international education agent working with the Company to promote and market the Cloud Nine ESL Program in Mexico.

CURRENCY

In this Prospectus, unless otherwise indicated, all dollar amounts are expressed in Canadian dollars and references to $ are to Canadian dollars.

CAUTION REGARDING FORWARD LOOKING STATEMENTS

Certain statements in this Prospectus and the documents incorporated by reference herein are forward looking statements or information (collectively "**forward-looking statements**"). All statements other than statements of historical facts contained in this Prospectus, including statements regarding the timing, availability and amount of financings; expected use of proceeds; our future results of operations and financial position, business strategy, prospective products, product approvals, research and development costs, timing and likelihood of success, plans and objectives of management for future operations, and future results of current and anticipated products are forward-looking statements.

The Company is providing cautionary statements identifying important factors that could cause the Company's actual results to differ materially from those projected in these forward-looking statements. Any statements that express or involve discussions as to expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases including, but not limited to, and including grammatical tense variations of such words as: "may", "anticipates", "is expected to", "estimates", "intends", "plans", "projection", "could", "vision", "goals", "objective" and "outlook") are not historical facts and may be forward-looking and may involve estimates, assumptions and uncertainties which could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements.

The Company has based the forward-looking statements largely on the Company's current expectations, estimates, assumptions, and projections about future events and financial and other trends that the

Company believes, as of the date of such statements, may affect its business, financial condition and results of operations. Such expectations, estimates, assumptions, and projections, many of which are beyond our control, include, but are not limited to: the assumption that this Offering will be completed and that any additional financing needed will be available on reasonable terms; the effectiveness and efficiency of advertising and promotional activities; the Company's ability to retain and attract users of its services; the Company's intention not to pay dividends; claims, lawsuits and other legal proceedings and challenges; competitive conditions in the ESL industry; and the Company's prioritization of product innovation and user experience over short-term operating results.

By their nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, which contribute to the possibility that the predicted outcomes may not occur or may be delayed. Forward-looking statements may relate to future financial conditions, results of operations, plans, objectives, performance or business developments. These statements speak only as of the date they are made and are based on information currently available and on our then current expectations and assumptions concerning future events, which are subject to a number of known and unknown risks, uncertainties and assumptions described under the headings in this Prospectus entitled "Risk Factors" and "Management's Discussion and Analysis" and elsewhere in this Prospectus. Factors that may cause actual results, performance or achievements to be materially different from that which was expressed or implied by such forward-looking statements, include, but are not limited to, risks and uncertainties related to:

- risks related to the completion of financings and the use of proceeds;
- expectations regarding revenue, expenses and operations;
- anticipated cash needs and the need for additional financing;
- ability to protect, maintain and enforce intellectual property rights;
- the availability of financing opportunities, risks associated with economic conditions, dependence on management and conflicts of interest;
- the speculative and competitive nature of the education sector;
- the inability to list on a public market;
- the effectiveness and efficiency of advertising and promotional expenditures to generate market interest in the Company's services;
- volatility of the Company's share price following a listing on a public exchange;
- dependency on continued growth in the education sector;
- ability to attract and retain personnel;
- expectations with respect to advancement in technologies;
- competitive position and expectations regarding competition;
- lawsuits and other legal proceedings and challenges;
- conflict of interests with directors and other management;
- government regulation with respect to immigration as it pertains to international students as well as private school ownership;
- regulatory developments and the regulatory environments in which the Company operates; and
- unanticipated trends and challenges in the Company's business and the markets in which it operates;
- other risks described in this Prospectus and described from time to time in the Company's documents filed with Canadian securities regulatory authorities; and
- other factors beyond the Company's control.

Further, any forward-looking statement speaks only as of the date on which such statement is made and, except as required by applicable law, the Company undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time and it is not possible for management to predict all such factors and to assess in advance the impact of each such factor on the Company's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement. Please also refer to “Risk Factors” and “Management's Discussion and Analysis” in this Prospectus.

ELIGIBILITY FOR INVESTMENT

In the opinion of Thorsteinssons LLP, special Canadian tax counsel to the Company, based on the provisions of the *Income Tax Act* (Canada) (the "**Tax Act**") and the regulations to the Tax Act in force on the date hereof, provided the Shares are listed on a "designated stock exchange" (as such term is defined in the Tax Act and which currently includes the CSE) or the Company is otherwise a "public corporation" (as such term is defined in the Tax Act) at the particular time, the Warrants and Shares will at that time be "qualified investments" under the Tax Act for trusts governed by registered retirement savings plans ("**RRSPs**"), registered retirement income funds (a "**RRIFs**"), deferred profit sharing plans, registered education savings plans, registered disability savings plans or tax-free savings accounts ("**TFSAs**" and collectively the "**Tax Deferred Plans**") provided that in the case of the Warrants, the Company is not an annuitant, a beneficiary, an employer or a subscriber under or a holder of a Tax Deferred Plan and deals at arm's length with each person who is an annuitant, a beneficiary, an employer or a subscriber under or a holder of such plan. **Holders who intend to hold Warrants or Shares in a Tax Deferred Plan should consult their own tax advisors regarding whether such securities are a "qualified investment" at the relevant time for such Tax Deferred Plan.**

Notwithstanding that the Warrants and Shares may be qualified investments for a TFSA, RRSP or RRIF (a "**Registered Plan**"), if the Warrants or Shares, as the case may be, are a "prohibited investment" within the meaning of the Tax Act for a Registered Plan, the holder or annuitant of the Registered Plan, as the case may be, will be subject to penalty taxes as set out in the Tax Act. The Warrants and Shares will generally not be a prohibited investment for a Registered Plan if the holder or annuitant, as the case may be, (a) deals at arm's length with the Company for the purposes of the Tax Act, and (b) does not have a "significant interest" (as defined in the Tax Act) in the Company. **Holders who intend to hold Warrants or Shares in a TFSA, RRSP or RRIF should consult their own tax advisors regarding whether such securities would be prohibited investments in their particular circumstances.**

MARKET AND INDUSTRY DATA

This Prospectus includes market and industry data that has been obtained from third party sources including industry publications. The Company believes that this industry data is accurate and that its estimates and assumptions are reasonable; however there are no assurances as to the accuracy or completeness of this data. Third party sources generally state that the information contained therein has been obtained from sources believed to be reliable; however there are no assurances as to the accuracy or completeness of included information. Although the data are believed to be reliable, the Company has not independently verified any of the data from third party sources referred to in this Prospectus or ascertained the underlying economic assumptions relied upon by such sources.

SUMMARY OF PROSPECTUS

The following is a summary of the principal features of the Offering and should be read together with the more detailed information and financial data and statements contained elsewhere in this Prospectus. Purchasers should carefully consider, among other things, the matters discussed under "Risk Factors".

The Company

The Company was incorporated on April 14, 2015 in the province of British Columbia under the name "Anterior Education Holdings Ltd." On March 30, 2016, the Company changed its name to "Cloud Nine Education Group Ltd."

The Company's head office and registered and records office are located in Vancouver, British Columbia.

The Company is currently a reporting issuer in British Columbia and Alberta. The Company has applied, concurrent with the filing of this prospectus, to list its Shares on the Exchange. Listing will be subject to the Company fulfilling all of the listing requirements of the Exchange.

See "*Corporate Structure*".

Principal Business

The Company's principal business is the continued development, marketing and sale of its dynamic, interactive and proprietary ESL curriculum that instructors will use in their classrooms to teach students aged 15 years and older. The curriculum replaces textbooks with tablets, while also replacing photocopying and paper documents with instructional videos and internet links. The curriculum is called the "Cloud Nine ESL Program".

The Cloud Nine ESL Program is a digitally based curriculum that is hosted in the cloud and delivered through the Company's own website by utilizing the Google Education platform. The Google Education platform is provided at no cost to educators.

The Company generates revenues by receiving payment from students or institutions on a monthly basis in order to access the Cloud Nine ESL Program. In management's view, the licensing fee paid by students replaces the text book and/or material fees that students currently pay resulting in no additional cost to the student. Rates vary from a low of $10 per month in South America to a high of $45 per month in North America. Institutions which implement the Cloud Nine ESL Program are provided with a negotiated commission for Cloud Nine ESL Program sales generated by their students.

The Company uses regional distributors to promote and sell the Cloud Nine ESL Program in return for a commission on the sales they make. Canadian consular overseas offices augment the Company's marketing strategy by assisting in the identification and introduction of the Cloud Nine ESL Program to prospective clients such as universities, technical institutes and high schools which offer ESL courses as part of their academic curriculum.

In addition to development of the Cloud Nine ESL Program, the Company currently operates Cloud Nine College, an ESL school in Vancouver which has BC Provincial Education Quality Assurance accreditation, and is registered as a designated learning institute. The registration is an annual self-registration process and the Cloud Nine ESL Program is currently registered until April 2017. Students enroll, primarily through education travel agencies, from all over the world. The school serves as a place to refine Cloud Nine ESL Program content, pedagogy, methodology and delivery in an ever current, ongoing and real time basis.

The Company is currently working with regional distributors in Mexico and Brazil to promote and sell the Cloud Nine ESL Program. The Company has already finalized a number of licensing agreements in Mexico and has several pilot projects confirmed, or currently ongoing, in Mexico and in Brazil.

See "*Description of the Business*"

Business Objectives

The Company's business objectives over the next 12 months are to (i) complete the Offering and concurrently obtain a listing of its Shares on the Exchange, (ii) continue to develop a revenue stream through licensing agreements for the use of the Cloud Nine ESL Program with a view to becoming cash flow positive, and (iii) continue to operate the Company's Cloud Nine College in Vancouver where the pedagogy and methodology of the Cloud Nine ESL Program can be refined and additional revenues can be generated.

The Offering

Issue: This prospectus qualifies the distribution of a minimum of 2,000,000 Units and a maximum of 6,000,000 Units. Each Unit is comprised of one Share and one-half of one Warrant.

Offering Price: $0.25 per Unit.

Warrant Features: Each Warrant will entitle its holder to purchase one Share at an exercise price of $0.50 at any time prior to 4:30 p.m. (Vancouver time) on the date that is 18 months following the Closing.

Amount: Minimum of $500,000 and maximum of $1,500,000.

Risk Factors

The activities of the Company are subject to risks inherent in the education industry as well as the risks normally encountered in a newly established business, including but not limited to: negative cash flow; lack of adequate capital; liquidity concerns and future financing requirements to sustain operations; dilution; no history of operations and revenues and no history of earnings or dividends; competition; economic changes; and uninsured risks.

There is currently no public market for the Shares and there can be no assurance that an active market for the Shares will develop or be sustained after the Listing. The value of the Shares is subject to volatility in market trends and conditions generally, notwithstanding any potential success of the Company in creating revenues, cash flows or earnings.

See "*Risk Factors*".

Summary of Selected Consolidated Financial Information

The table below summarizes selected financial data for the period indicated and should be read in conjunction with the Financial Statements and MD&A.

The Company	For Year ended September 30, 2015 (audited) $	For the six months ended March 31, 2016 $
Total earnings	1,262,704	455,794
Direct costs	1,027,118	458,860
G&A expenses	823,141	363,614
Other expenses	16,134	21,061
Impairment of goodwill	290,575	136,273
Loss from continuing operations	894,264	524,014
Loss from discontinued operations	677,024	62,757
Comprehensive (loss) for the period	1,571,288	586,771
Loss per share, basic and diluted	0.11	0.02
Loss per share, discontinued operations	0.08	0
Weighted average shares outstanding	8,350,689	28,945,822
Total Assets	788,601	562,924
Total Liabilities	850,261	739,355

Use of Proceeds and Available Funds

The Company's estimated working capital as at May 31, 2016 was $144,000. The Company estimates that the net proceeds from the Offering will be approximately $428,000 in the event of the Minimum Offering and $1,332,750 in the event of the Maximum Offering, after deducting the Agent's commission and estimated expenses (excluding the non-refundable expenses pre-paid to the Agent in the amount of $30,750). The funds expected to be available to the Company upon completion of the Offering and the expected principal purposes for which such funds will be used are described below:

Funds Available	**Minimum Offering**	**Maximum Offering**
Estimated working capital as of May 31, 2016	$144,000	$144,000
Net proceeds of the Offering(1)	$428,000	$1,332,750
Net Funds Available (unaudited)	**$572,000**	**$1,476,750**

Note:

(1) These amounts exclude the non-refundable expenses pre-paid to the Agent in the amount of $30,750.

The net proceeds of the Offering, together with the Company's estimated working capital as at May 31, 2016, is intended to be used as follows:

Principal Purpose	**Minimum Offering**	**Maximum Offering**
Development of the Cloud Nine ESL Program(1)	$120,000	$120,000
Sales and marketing for the Cloud Nine ESL Program	$120,000	$150,000
Estimated expenses of application for Exchange listing	$30,000	$30,000
Working Capital	$302,000	$1,176,750
Total	**$572,000**	**$1,476,750**

Note:

(1) Funds included for development of the Cloud Nine ESL Program may be allocated to operation of the Company's Cloud Nine College where the pedagogy and methodology of the Cloud Nine ESL Program can be refined and additional revenues can be generated.

The objectives that the Company expects to accomplish using its estimated working capital as at May 31, 2016 and, net proceeds from the Offering, are as follows:

- to fund the application for listing of its Shares on the Exchange;
- to operate its current business, including the continued development of its Cloud Nine ESL Program and operation of the Cloud Nine College for the next 12 months; and
- to continue to develop a revenue stream through licensing agreements for use of the Cloud Nine ESL Program by securing licensing agreements with various educational institutions in Brazil and Mexico with a target of reaching 5,000 users within the next 12 months.

The Company also generates revenues through tuition and licensing fees.

See "*Use of Proceeds and Available Funds*".

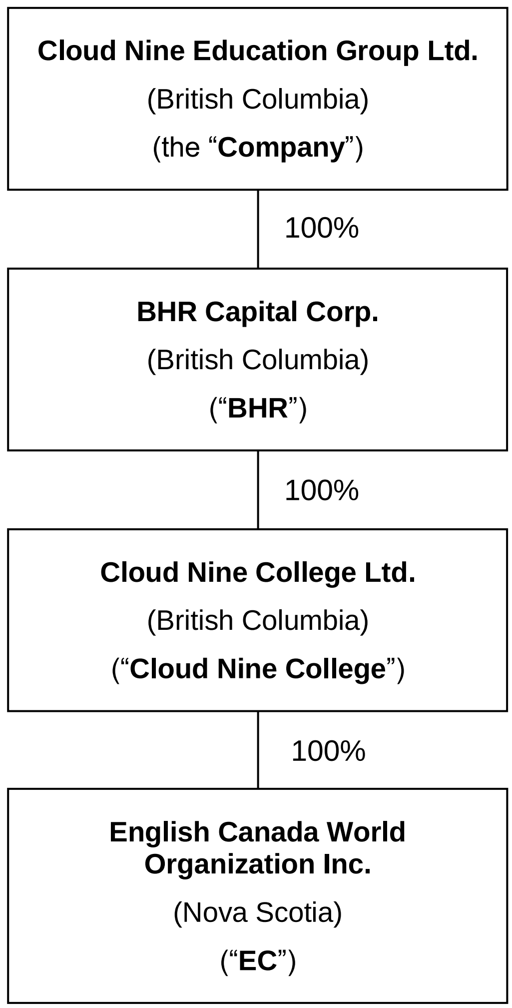
CORPORATE STRUCTURE

Name, Address and Incorporation

The Company was incorporated pursuant to the BCBCA under the name "Anterior Education Holdings Ltd." on April 14, 2015. On March 30, 2016, the Company changed its name to "Cloud Nine Education Group Ltd." The Company's head office is located at 900 – 549 Howe Street Vancouver, BC V6C 2C2 and its registered and records office is located at Suite 1000 – 595 Howe Street, Vancouver, BC V6C 2T5.

Intercorporate Relationships

The following chart illustrates the intercorporate relationships among the Company and its subsidiaries.



DESCRIPTION OF THE BUSINESS

General

The Company's principal business is the continued development, marketing and sale of its dynamic, interactive and proprietary ESL curriculum that instructors can use in their classrooms to teach students aged 15 years and older. The curriculum replaces textbooks with tablets, while replacing photocopying and paper documents with instructional videos and internet links. The curriculum is called the "Cloud Nine ESL Program".

Products and Services

Cloud Nine ESL Program

The Cloud Nine ESL Program is a digitally based curriculum that is hosted in the cloud and delivered through the Company's own website by utilizing the Google Education platform. The Google Education platform is provided at no cost to educators. Teachers sign in where they are provided a complete ESL curriculum which includes a comprehensive catalogue of lesson plans, resource materials, answer keys and exams.

Instructors provide selected materials to a student, or group of students, each day and can determine if their students will work individually or collaboratively. Students, in turn, log in to access the curriculum and are provided with an individual user account which delivers assignments provided by the instructor and stores ongoing and completed assignments in the student's (private) document folder. All work is correlated by date and topic and is accessible to both the student and the teacher. Students and their instructors can communicate in class, or remotely, through the Google Education platform and instructors can connect multiple students to facilitate group assignments and collaborative learning.

The Cloud Nine ESL Program curriculum has been developed for delivery in the classroom by an instructor. It is not meant to be used as an online self-study program, which has consistently demonstrated a lower level of success in meaningful improvement of the linguistic skills of the average student.

Training and Certification

To differentiate itself from the competition, the Company provides training and certification for ESL instructors employed at client institutions. It does this because an internal study of the industry has revealed that very few ESL curriculum developers are qualified to offer this service. The inclusion of teacher training and certification in the range of services provided by the Company has been strongly supported by senior Canadian consular personnel overseas who have consistently encouraged the Company to highlight its certification abilities in meetings and introductions.

Cloud Nine College

The Company also operates Cloud Nine College, an ESL School in Vancouver, BC. Cloud Nine College serves as a showcase for the curriculum that provides interested students and prospective clients with a real life example of how the Cloud Nine ESL Program works. In addition to being a showcase, Cloud Nine College provides the Company's development team with the opportunity to revise curriculum content, and to refine the teaching pedagogy, methodology and delivery systems that instructors use in their classrooms.

Revenues

The Company generates revenues by receiving payment from students or institutions on a monthly basis in order to access the Cloud Nine ESL Program. In management's view, the licensing fee paid by students replaces the text book and/or material fees that students currently pay, resulting in no additional cost to the student. Rates vary from a low of $10 per month in South America to a high of $45 per month in North America. Institutions which implement the Cloud Nine ESL Program are provided with a negotiated commission for Cloud Nine ESL Program sales generated by their students.

Distribution

The Company uses regional distributors to promote and sell the Cloud Nine ESL Program in Brazil and Mexico. Canadian consular overseas offices augment the Company's marketing strategy by assisting in the identification and introduction of the Cloud Nine ESL Program to prospective clients such as universities, technical institutes and high schools which offer ESL courses as part of their academic curriculum.

Target Market

The Cloud Nine ESL Program is suitable for students aged 15 years and older. The primary target for curriculum sales are public and private educational entities such as technical institutes, universities, colleges, high schools and ESL providers. Tourism outlets, hoteliers, restaurant owners and related hospitality service industries provide additional potential sales targets.

Recent Acquisitions and Divestments

Acquisition of International Language Institute Ltd. ("**ILI**") and English Canada World Organization Inc. ("**EC**")

On September 30, 2014, Cloud Nine College (under its former name "Anterior Education Systems Ltd." ("**AES**")), acquired ILI (along with its companion company, EC) pursuant to ILI/EC Acquisition Agreement. The primary reasons for the acquisition were as follows:

- Industry position – to acquire a position in the Canadian ELS industry and to secure the abilities needed to develop its curriculum internally through the acquisition of personnel as noted below.

- ILI personnel – personnel employed at ILI who possessed the skills to develop the Cloud Nine ESL Program were not able to join a competitor due to non-competition agreements with ILI. By acquiring ILI, the three individuals who form the foundation of the curriculum development team (Andrea Thoms, Jason Deering and Amos Sarrouy) all became employees of the Company.

- Teacher training program – as with ILI, the Company acquired EC in order to acquire the capacity to provide Certificate in English Language Teaching to Speakers of Other languages (CELTA) teacher training and certification to the Company's instructors as well as those employed by the Company's clients which implement the Cloud Nine ESL Program. The acquisition of EC enabled the Company to recruit and retain the services of Fergus Fadden, who is the manager of the Cloud Nine ESL Program development team and coordinates the Company's teacher training program.

Sale of ILI

As described above, the main reason for acquiring ILI was to position the Company in the Canadian ESL industry and to acquire key personnel to secure the abilities needed to develop its curriculum. After this skill set was established, and recognizing the toll that operating ILI was taking on the Company's resources, the Company sold ILI to an arm's length third party purchaser pursuant to the ILI Sale Agreement and consolidated personnel working on the Cloud Nine ESL Program within a single school in Vancouver in order to divest itself of the strain on long term working capital and other resources that maintaining ILI Halifax had on the Company.

Acquisition of Assets of CET Educational Travel Canada Limited

On December 31, 2014, AES acquired the assets of CET Educational Travel Canada Limited, an ESL school located in Vancouver, British Columbia (which is now known as Cloud Nine College) pursuant to an agreement dated December 19, 2014. The transaction included a base of 57 students, 5 teachers, 3 administrative staff and all requisite teaching materials along with an existing agent agreement.

The Company subsequently relocated the school and entered into a three year lease terminating on February 28, 2018 for 4,800 square feet of space at 549 Howe Street, Vancouver, with no rental increases for the term. Cloud Nine College is able to accommodate up to 110 students.

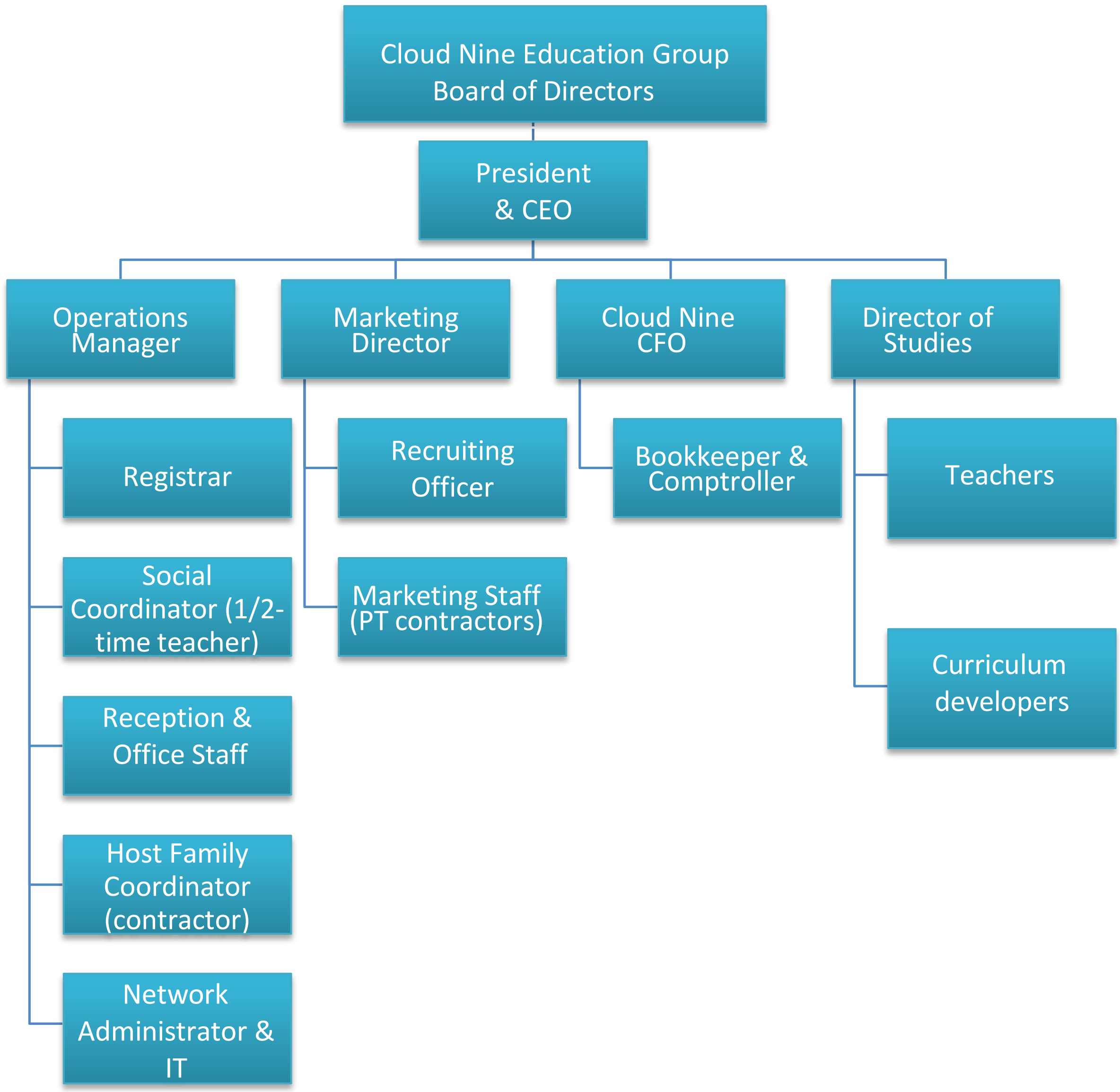
Arrangement

On April 14, 2015, the Company entered into the Arrangement Agreement with PlanCo and BHR, which was approved by the Court by the granting of the Final Order on April 30, 2015. The Arrangement was completed on June 10, 2015, pursuant to which, among other things, BHR became the Company's wholly-owned subsidiary; the former shareholders of BHR exchanged all of their shareholdings therein for the Company's Shares; and the Company became a reporting issuer in British Columbia and Alberta.

See "*Prior Sales*".

Employees

The following diagram illustrates the offices, positions, and departments of the Company, which currently has approximately 12 employees as well as a number of consultants:



Three-Year History

The following lists the major events over the past three years that have influenced the general development of the Company, such as acquisitions, dispositions, or material agreements.

<u>2013</u>

For the decade preceding the acquisition by Cloud Nine College (formerly AES), ILI offered year-round language training services, a variety of successful summer programs, club and social activities, and accommodation for students through vetted host families. Courses included General English, Academic English, Business English, and a variety of special-purpose topics. Summer programs incorporated cross-cultural training, leadership, teambuilding, personal development, and opened pathways to partnered secondary schools.

<u>2014</u>

On September 30, 2014, AES (predecessor company of Cloud Nine College), acquired ILI (along with its companion company, EC) pursuant to the ILI/EC Acquisition Agreement. After acquiring ILI and EC, the Company leveraged its subsidiaries' biggest assets by developing the Cloud Nine ESL Program. See "*Description of the Business – Recent Acquisitions and Divestments*".

On December 3, 2014, BHR was incorporated under the BCBCA under incorporation number BC 1020797. BHR issued 500,000 founder shares at $0.005 per share for total proceeds of $2,500 on December 3, 2014 and completed a private placement of 2,500,000 shares at $0.005 per share for total proceeds of $12,500 on December 16, 2014.

On December 31, 2014, Cloud Nine College acquired all of the assets of CET Educational Travel Canada Limited pursuant to an asset purchase agreement dated December 19, 2014 for the purchase price of one dollar, assumption of certain indebtedness, and satisfaction of certain lease and vendor obligations.

<u>2015</u>

On February 2, 2015, Cloud Nine College acquired all intellectual property of ILI and EC pursuant to, respectively, a Bill of Sale dated February 2, 2015 with ILI and a Bill of Sale dated February 2, 2015 with EC.

From February to May of 2015, BHR completed a series of financing transactions pursuant to which it issued an aggregate of 10,318,500 units, with each unit consisting of one common share and one half of one share purchase warrant, to raise gross proceeds of approximately $1,079,625. In connection with these financings, a total of 249,480 broker warrants were issued to Jordan Capital Markets Inc. a former investment dealer that has since been acquired by the Agent. In addition:

- on February 6, 2015, BHR entered into the Share Exchange Agreement, as amended on March 11, 2015, and April 16, 2015, for the acquisition of Cloud Nine College whereby Cloud Nine College would become a wholly owned subsidiary of BHR, which was subsequently completed on April 22, 2015; and

- on February 10, 2015, BHR received a loan in the amount of $27,500 from a private lender for general working capital purposes.

On April 14, 2015, the Company was incorporated under the BCBCA as "Anterior Education Holdings Ltd." and entered into the Arrangement Agreement with BHR and PlanCo in respect of the Arrangement, which was subsequently completed on June 10, 2015. See "*Prior Sales*".

In June 2015, the Company:

- launched the latest version of its Cloud Nine ESL Program;

- applied to the Canadian Intellectual Property Office for the wordmark "iliCLOUD *Curriculum*" under application number 1731240; and

- sent a delegation on a month-long trip to Chile and Brazil to present the Cloud Nine ESL Program for the purposes of licensing to various schools and institutions.

In September 2015, the Company began a trial of the Cloud Nine ESL Program in Sao Paulo, Brazil through Target Language Services Ltd. ("**TLSL**"), an ESL school operator in Brazil which has tested the Company's ESL curriculum and now works with the Company to market the Cloud Nine ESL Program in Brazil.

On October 23, 2015, the Company entered into the ILI Sale Agreement, pursuant to which the Company sold 100% of its interest ILI to an unrelated third party.

On November 18, 2015, the Company received formal accreditation from the Private Career Training Institutions Agency of British Columbia, which is the regulatory body for private career training institutions in the province.

In October and November 2015, the Company completed four private placements pursuant to which it issued an aggregate of 2,100,000 common shares and 1,648,000 warrants to raise gross proceeds of approximately $500,000 as follows:

- October 1, 2015 – 500,000 units at a price of $0.25 per unit for total proceeds of $125,000. Each unit consisted of one Share and one warrant exercisable to purchase one Share at a price of $0.50 per Share until April 1, 2017. Concurrently with the closing of this private placement, the Company paid a finder's fee to the Agent of $10,000 in cash and 40,000 finder's warrants, each finder's warrant exercisable to purchase one Share at a price of $0.50 per Share until April 1, 2017;

- October 16, 2015 – 100,000 units at a price of $0.25 per unit for total proceeds of $25,000. Each unit consisted of one Share and one warrant exercisable to purchase a Share at a price of $0.50 per Share until April 16, 2017. Concurrently with the closing of the private placement, the Company paid a finder's fee to the Agent of $2,000 in cash and 8,000 finder's warrants, each finder's warrant exercisable to purchase one Share at a price of $0.50 per Share until April 16, 2017;

- November 19, 2015 – 1,000,000 units at a price of $0.25 per unit for total proceeds of $250,000. Each unit consisted of one Share and one half of one warrant with each whole warrant exercisable to purchase one Share at a price of $0.50 per Share until May 19, 2017; and

- November 23, 2015 – 500,000 units at a price of $0.20 per unit for total proceeds of $100,000. Each unit consisted of one Share and one warrant exercisable to purchase one Share at a price of $0.40 per Share until November 23, 2017.

Recent Developments

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

On February 19, 2016, the Company completed a private placement for 300,000 units at a price of $0.25 per unit for gross proceeds of $75,000. Each unit consisted of one common share and one warrant exercisable to purchase one additional Share at a price of $0.50 per Share until August 19, 2017. Concurrently with the closing of the private placement, the Company paid a finder's fee to the Agent of $6,000 in cash and 24,000 finder's warrants, each finder's warrant exercisable to purchase one Share at a price of $0.50 per Share until August 18, 2017.

On March 30, 2016, the Company changed its name to "Cloud Nine Education Group Ltd."

On April 22, 2016, the Company signed a 10% secured convertible debenture agreement with a shareholder in the amount of $200,000.

On June 16, 2016, the Company completed a private placement for 60,000 units at a price of $0.25 per unit for gross proceeds of $15,000. Each unit consisted of one common share and one warrant exercisable to purchase one additional Share at a price of $0.50 per Share until December 16, 2017.

On June 30, 2016, the Company signed a 10% secured convertible debenture agreement with a shareholder in the amount of $100,000.

ESL Market Conditions

Cycles

The ESL business is seasonal. The Company anticipates that Cloud Nine College will operate year round with approximately 45 students and that in January, February, and the summer months, the number of students in shorter programs tends to increase. The summer program runs from June through to the end of August.

Canadian ESL Market – Overview

According to the Conference Board of Canada, the contribution of the Canadian language industry to GDP was $2.7 billion or 0.2% of total GDP in 2004[2]. The industry employs 51,700 people (directly and indirectly) across Canada.[3]

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 acquisitions in the 2013 through 2015 period were overvalued in the opinion of Company's management and have resulted in ESL providers expecting unrealistic prices for their schools. Today, organic growth, while slower, is proving to be a more cost effective method of corporate development, which mitigates the risks of acquiring a collection of overpriced businesses struggling to survive.

International ESL Market – 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 2030 more than two billion people per year will be studying English worldwide.[4] This growth trend for ESL internationally is due in large part to the fact that 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 one should note that for every student who is able to travel abroad to learn English, there are 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 are seeking a functional, mobile and accessible ESL curriculum in their own country.

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

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[2] *Economic Assessment of the Canadian Language Industry*, Conference Board of Canada, March 2007.
[3] https://www.ic.gc.ca/eic/site/ae-ve.nsf/eng/03016.html
[4] *English Next, Why global English may mean the end of 'English as a Foreign Language'*, British Council, 2006.

The Digital Learning Market

World Linguistic Market

The world linguistic market generated $56.3 billion in 2013[5] within which the study of English was responsible for more than 50% of the total revenues, generating $35 billion; more than all other languages combined.[6]

This is attributable to the increasing globalization of English as the language of business and science English is rapidly becoming the *de facto* international language of such things as civil aviation[7].

In August, 2012, the Government of Canada's Advisory Panel on Canada's International Education Strategy issued its 112 page Final Report[8] citing the Organisation for Economic Co-operation and Development in its estimation that, "the global demand for international higher education is set to grow from nearly 3.7 million students (in 2009) to 6.4 million in 2025." .

World English Language Digital Learning Products Market

In management's view, digital based curriculum platforms are expected to expand significantly over the next few years. In a market analysis research report published in 2014 by Ambient Insight, it is noted that the electronic / digital market for ESL products will have significant growth potential over the next five years with revenues anticipated to be in the range of $3.1 billion by 2018.[9]

Ambient Insight cites five catalysts for the expected growth in the digital English language learning market, as follows:

1. Large-scale digitization initiatives in the academic segments

There is a global movement towards the digitization of academic content in both the government and private sectors of education. For example, in April of 2011, the Kazakhstan government announced a $1 billion multi-year project to implement digital learning in the school system stating that 95% of subjects will be digitalized. As well, between 2008 and 2013, Uruguay distributed over one million computing devices to students to become the first country in the world to reach a one-to-one student-to-computer ratio. Further, in Brazil, where foreign language studies are mandatory for children in grades 6-9 and English comprises 47.7% of those studies, the government has undertaken a large-scale operation to digitize all high-school textbook and instructional content by 2017.

2. New government educational policies designed to increase English proficiency

Globally, governments are implementing policies to increase English proficiency. More than 98 countries analyzed in the Ambient Insight report issued new English instruction education polices in the year 2011-2014. Standard policies include increasing the amount of time spent on learning English as well as introducing English at earlier grade levels. Examples of such policies include: in 2011, the Slovakian government passed a law making English language learning compulsory beginning in the third grade; in 2008, Rwanda mandated English as the official language of instruction in schools; in 2011, South Sudan declared English as its official language; and in 2011 the Vietnamese government announced its goal to have all students in the country proficient in English by 2020.

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[5] Adkins, S.S. (2014). *Ambient Insight Premium Report: The 2013-2018 Worldwide Digital English Language Learning Market*. Ambient Insight. Available at: http://www.ambientinsight.com/Resources/Documents/AmbientInsight-2011-2016-Worldwide-Digital-English-Language-Learning-Market-Overview.pdf.
[6] *Ibid*.
[7] (2003). Status of English Language Standard for Use in Civil Aviation. International Civil Aviation Organization. Available at: http://www.icao.int/SAM/Documents/2003/RAAC8/RAAC8IP18.pdf
[8] Advisory Panel on Canada's International Education Strategy at page ii. (2012). *International education: A key driver of Canada's future prosperity.* Available at: http://www.international.gc.ca/education/assets/pdfs/ies_report_rapport_sei-eng.pdf
[9] Adkins, *supra* note 2.

3. Consumer demand for digital language learning products, particularly mobile products

The Ambient Insight report cites consumer demand as being the most important long-term catalyst for digital English language learning, noting the trend being largely due to the rapid roll-out of mobile broadband globally. English learning applications rank consistently in the top-ten paid mobile learning products in all countries. The type of content varies amongst countries; educational games geared towards young children rank among the top sellers in predominantly English speaking regions whereas applications for test preparation of standardized English exams dominate in others.

*4. The proliferation of mobile learning value added services (“**VAS**”)*

Mobile learning VAS has proliferated in recent years from only six available in 2008 to over 220 by the end of 2012. The top selling education application in the Apple store in Japan in June of 2014 was an English language learning application for exam preparation – eight of the top ten selling applications in the store were English learning applications. The Company is mindful of this important market segment and is considering ways to develop companion applications of the Cloud Nine ESL Program to release to complement its current business model.

5. Strong demand for specialized forms of English (like aviation and business English)

Vocational English products, or English for Special Purposes (“**ESP**”) are typically purchased by corporate buyers and some government agencies as well as individual purchasers. Such products include aviation, business, hospitality, finance, law, medical, transportation, tourism, oil & gas, information technology and engineering English. According to the World Travel and Tourism Council, global tourism and the hospitality industry employs approximately 10% of the world’s workforce. The Company is currently designing specialized Cloud Nine ESL Programs geared towards tourism, communications, management and nursing.

English as a Life Pathway

In management's view, more than simply acquiring a new linguistic skill, those who are learning English as their second language are building pathways for their future as career advancement could be materially impacted in a positive manner if one possesses strong ESL abilities.

Cloud Nine ESL Program Development

The Company's management team believes that there is a significant opportunity to achieve corporate growth by creating and selling a digitally based ESL curriculum in Canada and overseas. With this view in mind, the Company commenced development of the Cloud Nine ESL Program in September, 2014 after acquiring ILI Halifax and, with that acquisition, gaining the ability to create a proprietary program in-house. The Company ran the first pilot projects of the curriculum in June and July 2015 which were well received. The timing of the pilot projects coincided with a market research trip in South America which yielded similar acceptance of a digital based ESL program for students aged 15+.

Currently, the Cloud Nine ESL Program consists of six levels of general English studies which are designed to be delivered in the classroom in order to achieve the internationally recognized standards set out on page 24 in the Common European Frame of Reference (“**CEFR**”). All of the Cloud Nine ESL Program materials are stored in a Google hosted cloud format designed specifically for education based companies. Teachers are able to manage data flow and to restrict which documents students can edit and to what extent.

Teachers use their devices to distribute, retrieve and store their students’ work. Instructors are able to assist students with their studies at home with online guidance to ensure the main theme of any given lesson is understood. Study sessions consisting of multiple students from a variety of locations changes the nature of homework from what used to be a solitary exercise into what is now a group activity. As a result, students are able to learn from, and to support, their fellow students.

Students use their smart phones, tablets or computers to access and collaborate on classroom work and home study assignments. With no textbooks to carry around and no loose paper to keep track of, students can elect to access their course materials individually, or to share their assignments with their classmates and work concurrently. Each student has a folder which automatically compiles and categorizes their assignments by date and topic. Both the student and the teacher can access that student's folder at any given time.

The Cloud Nine ESL Program has been designed and developed to maximize learning outcomes through a student-centered, communicative approach to learning. Replacing the need for traditional text books, the Cloud Nine ESL Program allows students to use a variety of devices, such as computers, tablets or smart phones in order to access course material, deliver assignments and even collaborate on classroom and home study projects.

Curriculum Pedagogy and Methodology

In language training, digital communication has given rise to the "flipped classroom" approach, which is a method that enables teachers and students to move away from the traditional instruction-based model of learning. For example, a video grammar presentation can be designed for students to watch outside of the classroom. Students can stop and repeat the video as many times as they need to without having to concern themselves with how they might appear to their colleagues. Students 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 guiding others to take what they have learned to a new level. More advanced students can help their peers. All students have the freedom to progress at their own pace.

Using this format, students are able to spend more class time practicing the target language in meaningful interactions and contexts. The approach also lends itself to peer teaching and student-led learning. With appropriate online digital materials, students have an outlet which enables them to learn at their own pace, and teachers have more time for individualized support during class time.

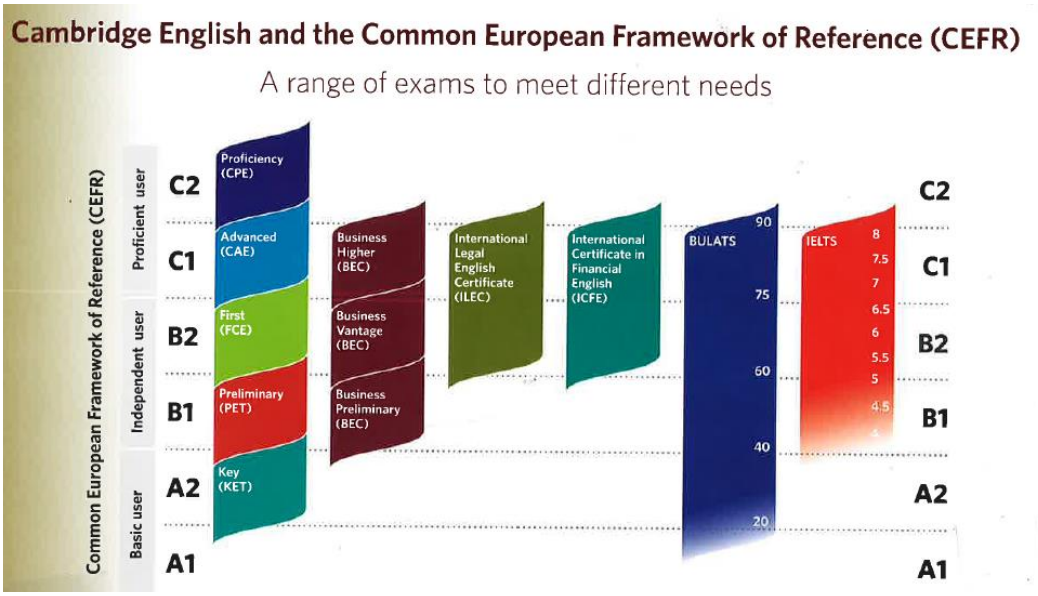
The Cloud Nine ESL Program is designed to exploit the flipped classroom method and the Company's management believe that doing so results in superior student outcomes for language acquisition. In addition, the curriculum is very flexible and can be easily adapted to fit a wide variety of academic schedules, time frames and school structures.

Targeted Student Proficiency Outcomes

The CEFR describes foreign language proficiency through six levels of capacity as outlined in the chart below. Cloud Nine ESL Program's lesson plans are specifically developed to achieve the student proficiency objectives for each of the six CEFR levels.

level	description
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.
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.
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 & ambitions and briefly give reasons and explanations for opinions and plans.
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.
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.
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.

As outlined below, the CEFR scale allows administrators and registrars to quickly and easily assess how an applicant is likely to compare against a number of internationally recognized exams and determine if the applicant has the linguistic proficiency needed to succeed at that institution or school.



Delivery Modules & Time Frames

Each of the six levels included in the Cloud Nine ESL Program contains twenty lessons. Teachers can use the "flipped classroom" approach (described above under the heading "*Curriculum Pedagogy and Methodology*") to assign a variety of homework activities. Instructors then have the option to spend more or less time on a particular theme or linguistic component in class and have discretion as to how much work to assign to students either in the classroom or at home after class. Teachers can also introduce their own supplementary activities and/or incorporate appropriate field trips or other out-of-class activities to promote learning. The curriculum ultimately seeks to map learning and input materials according to both the individual and group needs of the learners.

Content

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 Behaviour". Within this theme, the lessons include development of 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 (a theory referring to the complex of negative emotional and motivational factors that may interfere with the reception and processing of comprehensible input, including such feelings as anxiety, self-consciousness, boredom, annoyance, and alienation) and enhancing the second or subsequent language acquisition and retention potential.

Language Systems

The following explanation of the Company's language systems is based on the opinions and expertise of management of the Company.

Lexis – a principled approach is brought to teaching Lexis, such as through the use of visuals, realia (objects from real life used in classroom instruction to improve students' understanding of other cultures and real life situations), examples, gestures, marker sentences, flooded texts, and the like 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 the materials provided by the curriculum itself. Discrete language items are avoided and, in their place, a mostly lexical approach is employed that focuses on the priming of language such as:

> *Collocation* – the sequential co-occurrence possibilities of multi-word units that “sound right” such as “strong tea” as opposed to “powerful tea” or “fast food” as opposed to “quick food”;
>
> *Fixed or frozen collocations* – a form of expression that is something we ordinarily say in certain situations such as “pleased to meet you” or “all of a sudden”; and
>
> *Idiomatic language* – expressions that cannot be understood from the meaning of its separate words but has a separate meaning of its own such as “a can of worms”, “staycation”, or “rub someone the wrong way”.

Grammar – in part, presentations of new grammar are carried out 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, students are then quizzed during which time they can return to the video at any point in order to answer the question. The idea is to help the students focus on relevant aspects of meaning, form, and phonology before the lesson begins. In this way, more class time is spent practicing and upgrading the students’ 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 segments 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, etc.). However, where recurring pronunciation problems occur, these problems will be addressed 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. Leveraging the collaborative functionality of the technology employed for the Cloud Nine ESL Program, each student or group contributes to the identification and upgrading of the use of those sounds.

Receptive Skills: Listening – using the "*flipped classroom*" approach to listening, students are assigned videos or podcasts in order to activate schemata (organizational patterns or conceptual frameworks such as "Olympics" or "hospital"). Students are also periodically encouraged to collaborate on prediction tasks prior to the beginning of a lesson. Then in class, prediction tasks can 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 focus on the communicative aspect of scanning (i.e., the tasks ensure that simple 'lifting' of information) is avoided and true bottom-up sub-skills are developed.

Along with these core sub-skills (predicting, skimming and scanning), others are also developed (e.g., connected speech, turn-taking, and speaker's attitude).

Receptive Skills: Reading – similar to listening, students have the opportunity to familiarize themselves with contexts and core concepts before a lesson begins. Once again, predicting and activation of schemata can be done before lessons so that more time can be dedicated to developing sub-skills in class. 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 follow up on a receptive skills task with a productive skills task (e.g., speaking or writing), and this is also true of the Cloud Nine ESL Program. However, students will also be encouraged to select and suggest further texts, podcasts, videos, and the like. This deepens students' involvement in the direction of their own learning, strengthens the learning partnership, and enhances intrinsic motivation.

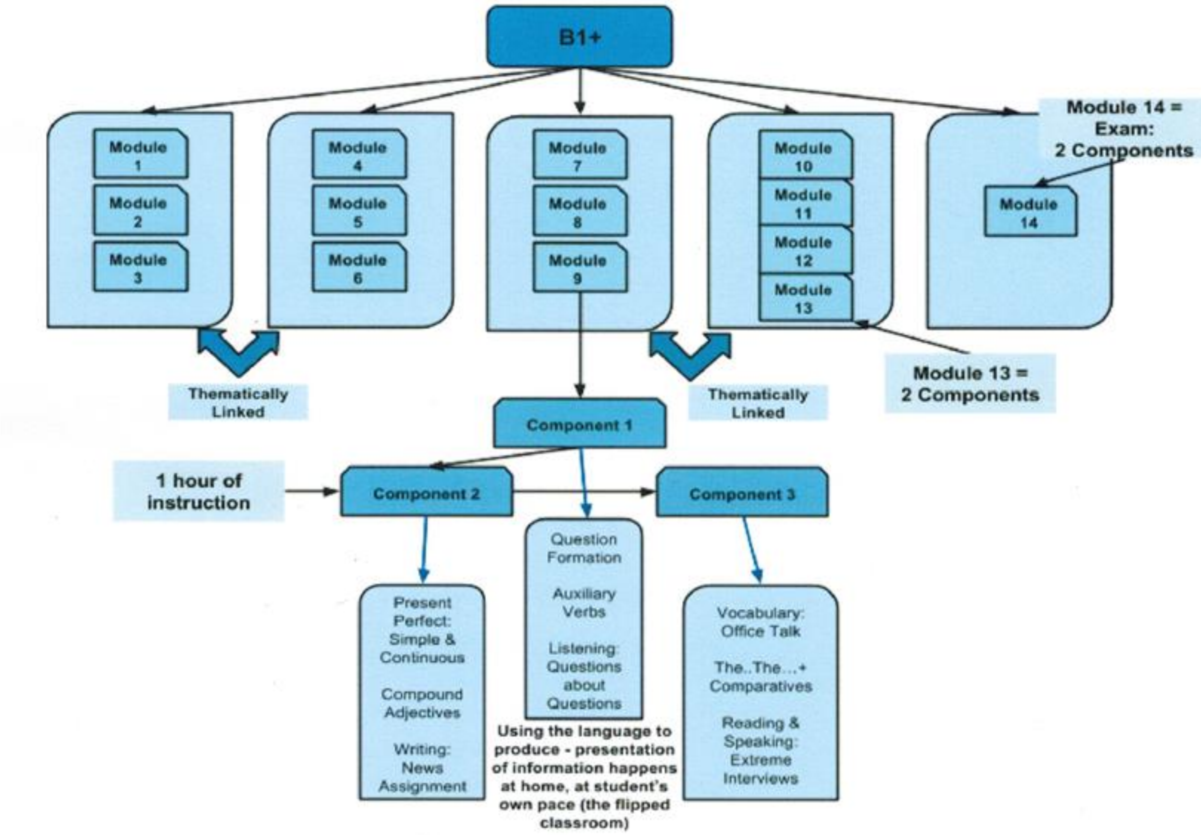
Productive Skills: Speaking – central to the communicative approach is the information gap. This is at the core of all speaking activities whether they are for language practice or for developing speaking sub-skills. Those sub-skills include, but are not limited to: turn-taking, interjecting, non-verbal 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 skills, both product and process writing frameworks are employed. Aspects of writing such as genre, layout, register, tone, cohesion, discourse markers, grammatical/lexical range and accuracy, and repetition are all covered. There will be a greater focus on collaborative writing and peer correction again through the implementation and leveraging of the Cloud Nine ESL Program presentation platform. Writing lessons are enhanced through presentation and correction mediums, such as iMovie, Screen-o-matic, Educreations, and Blogger.

Delivery Platform

The Cloud Nine ESL Program is organized and stored in a system of folders and delivered through Google Education and Google Classroom. There are four levels of administrative access to the folders, in addition to the individual (student) user. First level administrators, being the master administrators, consist of Cloud Nine managers who can allow or deny any institution, instructor or user access to the curriculum and can alter the passwords which control access. Second level administrators are comprised of the Cloud Nine ESL Program developers who have the ability to provide, restrict or deny access to any institution, instructor or student and are able to amend, update and edit the course materials. The level three administrators are institutions who, subject to oversight by senior Company managers, have the ability to restrict their instructors or students from accessing the Cloud Nine ESL Program. Teachers and front office personnel comprise the level four administrators. Their capacities are confined to distribution and interactivity with student users.

Each module includes a comprehensive lesson plan, and all documents and presentations for the lesson are hyperlinked to the lesson plan that teachers review before each class. Teachers 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. An example of the organization of the delivery platform is illustrated below:



<u>Assessment</u>

The pedagogy of the Cloud Nine ESL Program encourages instructors to quiz their students on material covered every four lessons in order to assess their progress and address any deficiencies that have been identified. The quizzes, in turn, give students an opportunity to review information they learned and to 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 their classmates.

The Cloud Nine ESL Program uses the following evaluation format, but clients and their instructors are encouraged to modify this format to meet their local needs:

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

Cloud Nine ESL Program – Revisions & Editing

Unlike traditional text books which require significant time and expense to edit in order to produce an up-to-date edition, the Cloud Nine ESL Program can be revised almost instantly at low cost to the Company. Once updates are made, every student and teacher using the Cloud Nine ESL Program around the world will be able to immediately access the new version at no additional cost to the user.

English for Special Purposes

Vocational English or English for Special Purposes (ESP) has been identified as a significant catalyst for the surge in demand for digital English products.[10] In addition to the standard curriculum provided by the Cloud Nine ESL Program, the Company's management believes there are significant opportunities to develop ESP lesson plans for disciplines such as tourism, communications, management, and nursing. These markets would provide tertiary opportunities for ongoing product development thereby providing additional potential sources of revenue for the Company.

Security and Data Management

The Cloud Nine ESL Program generally relies on the built in security features of Google Drive; however, Company administrators add another layer of protection as do teachers who have the ability block or limit editing curriculum content.

Specialized Skill and Knowledge

The Company believes that it has sufficient personnel with the specialized skills and knowledge to successfully carry out the present level of its business and operations. The Company employs or retains personnel with many of these skills, as appropriate. In addition, the Company procures the services of consultants and contractors to complement the skills of its employees wherever necessary.

Corporate Development

Market Research

In June of 2015, a delegation from the Company traveled to Chile and Brazil to introduce the Cloud Nine ESL Program to various educational institutions. The Company continues to receive interest from various companies and institutions in South America.

Due to the positive response toward the Cloud Nine ESL Program during the June 2015 trip to South America, combined with that region's generally low ESL proficiency and large population base, the Company is currently focused on developing market penetration in Brazil and Mexico as its primary overseas focus.

Marketing, Promotion & Sales

Although management intends to continue liaising with the Canadian consular services overseas, the Company's primary strategy is to work with overseas distributors to identify and attract new customers. The management team holds the view that local distributors significantly assist the Company to ensure it can meet any cultural expectations and, equally important, to provide overseas customers with a sense of security and support by knowing that they will have a regional representative who can be contacted (in their local language) with questions they might have.

Specifically, the Company has formed a close business relationship with TLSL, an ESL school operator in Brazil. TLSL is located in São Paulo, Brazil, and has been servicing the ESL market in Brazil for several

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[10] Adkins, *supra* note 2.

years. In addition to teaching English, TLSL also provides CELTA teacher-training. This capacity will assist the Company in addressing its commitment to providing free training and certification.

In Mexico, the Company is working with YCL to promote the Cloud Nine ESL Program. YCL is based in Toronto and connects students in Mexico wishing to learn English with ESL providers in Canada.

Distributors of the Cloud Nine ESL Program will be provided a commission equal to 15-20% of the applicable licensing fees generated in exchange for providing the Company with office space in their region for the Cloud Nine ESL Program and hiring one sales representative and one administrative staff member for every 10,000 users who subscribe from their country. Such personnel will work alongside the Company's overseas staff members.

The Company has determined that 10% of gross revenues will be allocated to cover promotional and marketing expenses for the Cloud Nine ESL Program. A further 5% of gross revenues will be used to hire employees that will work overseas alongside sales and administrative staff retained by regional distributors.

Both distributor personnel and the Cloud Nine overseas personnel are referenced in the figures provided in the "*Development Cost Projections*" and "*Corporate Growth Cost Projections"* sections of this Prospectus.

Teacher Training & CELTA Certification

Teacher training has been identified as a central issue of decision makers considering the Cloud Nine ESL Program. Administrators from universities, technical institutes, high schools and ESL outlets have all expressed a desire for assurances that the curriculum they choose will include training and support for their instructors. To address these interests, the Company offers teacher training and CELTA certification to institutions that integrate the Cloud Nine ESL Program into their course selection.

Developed by Cambridge University, CELTA is a well-regarded certification that an ESL instructor can attain. The Company offers to train and certify (at no charge) one teacher for every 50 long term students (being a student who enrols in a 12-month program) who license the Cloud Nine ESL Program through the client. The cost to the Company to deliver the CELTA program is nominal compared to the projected revenue generated by an institution integrating the Company's ESL curriculum.

The Company will facilitate the training requirements of its clients in part by using qualified Company representatives and in part by contracting authorized CELTA providers to deliver the course when Cloud Nine personnel are too busy to undertake the duties.

Corporate Competition

Despite the increasing number of people around the world seeking to learn English each year, there are less than 20 curriculum developers who have positioned themselves to meet the needs of institutions and schools that offer ESL programs in the international marketplace. When one searches the internet for curriculum developers who offer ESL programs in a digital based format, there appears to be less than ten such providers.

The following chart illustrates how the Company compares with its Canadian and international counterparts. A review of the comparative analysis reveals that the Cloud Nine Education Group is in management's view the only ESL curriculum provider to develop their materials based on CEFR guidelines while also providing teacher training and certification to their clients.

	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 BasedDigital 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 Providied	√	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

With a low cost, digital based ESL curriculum that includes technological support and teacher certification, and with overseas distributors already in place, Company management are of the view that the Company is well positioned to meet its development objectives and overcome any challenges which may be posed by its corporate competition.

The Cloud Nine ESL Program Revenue Model

Revenues from the Cloud Nine ESL Program are generated by charging each student a monthly licensing fee of $10 to $45 per month to access the curriculum. Using this approach, although the institutions make the decision to implement the Cloud Nine ESL Program, the cost of delivery is borne by the students who license the curriculum from the Company each month.

Company management are of the view that the low cost of the Cloud Nine ESL Program will assist in mitigating overall educational expenses and help to make institutions which have integrated the Cloud Nine ESL Program more attractive to students who are generally confined to limited or fixed incomes.

Intangible Properties

As of the date of this Prospectus, the Company has designed three logos which meet the needs of the different divisions of the corporate structure. The logos are below and relate to the names outlined below:

Head Office: cloud nine EDUCATION GROUP

ESL Curriculum: cloud nine ESL PROGRAM

ESL School: cloud nine COLLEGE

Domain Names

The Company is the registered owner of the following domain names:

anterioreducation.com	cloud9esl.ca	digitalesl.ca
c9college.com	cloudesl.ca	digitalesl.com
c9educationgroup.com	cloudninecollege.com	englishcanada.ca
c9edugroup.com	cloudnineesl.com	english-canada.ca
c9eg.com	cninecollege.com	englishcanada.org
celta.ca	cnineeducationgroup.com	english-canada.org

USE OF PROCEEDS AND AVAILABLE FUNDS

Funds Available

The Company's estimated working capital as at May 31, 2016 was $144,000. The Company estimates that the net proceeds from the Offering will be approximately $428,000 in the event of the Minimum Offering and $1,332,750 in the event of the Maximum Offering, after deducting the Agent's commission and estimated expenses (excluding the non-refundable expenses pre-paid to the Agent in the amount of $30,750). The funds expected to be available to the Company upon completion of the Offering and the expected principal purposes for which such funds will be used are described below:

Funds Available	Minimum Offering	Maximum Offering
Estimated working capital as of May 31, 2016	$144,000	$144,000
Net proceeds of the Offering(1)	$428,000	$1,332,750
Net Funds Available (unaudited)	**$572,000**	**$1,476,750**

Note:

(1) These amounts exclude the non-refundable expenses pre-paid to the Agent in the amount of $30,750.

The net proceeds of the Offering, together with the Company's estimated working capital as at May 31, 2016, is intended to be used as follows:

Principal Purpose	Minimum Offering	Maximum Offering
Development of the Cloud Nine ESL Program(1)	$120,000	$120,000
Sales and marketing for the Cloud Nine ESL Program	$120,000	$150,000
Estimated expenses of application for Exchange listing	$30,000	$30,000
Working Capital	$302,000	$1,176,750
Total	**$572,000**	**$1,476,750**

Note:

(1) Funds included for development of the Cloud Nine ESL Program may be allocated to operation of the Company's Cloud Nine College where the pedagogy and methodology of the Cloud Nine ESL Program can be refined and additional revenues can be generated.

The Company estimates that proceeds from the Offering will fund operations for 12 months assuming completion of the Minimum Offering and 18 months assuming completion of the Maximum Offering. The estimated total operating costs necessary for the Company to achieve its business objectives for the next 12 months are $694,600. The estimated amount of other material capital expenditures during the next 12 months are $50,000.

Business Objectives and Milestones

The objectives that the Company expects to accomplish using its estimated working capital as at May 31, 2016 and net proceeds from the Offering, are as follows:

- to fund the application for listing of its Shares on the Exchange;
- to operate its current business, including the continued development of its Cloud Nine ESL Program and operation of the Cloud Nine College for the next 12 months; and
- to continue to develop a revenue stream through licensing agreements for use of the Cloud Nine ESL Program by securing licensing agreements with various educational institutions in Brazil and Mexico with a target of reaching 5,000 users within the next 12 months.

While the Company intends to spend its current working capital and the net proceeds of the Offering as stated above, there may be circumstances where, for sound business reasons, a re-allocation of funds may be necessary or advisable.

The actual amount that the Company spends in connection with each of the intended uses of proceeds may vary significantly from the amounts specified above, and will depend on a number of factors, including those listed under the heading “Risk Factors”.

The Company has not yet achieved positive operating cash flow, and there are no assurances that the Company will not experience negative cash flow from operations in the future.

Other Sources of Funding

In addition to its current working capital, the Company generates revenues through tuition and licensing fees.

The Company’s Cloud Nine College currently has approximately 30 students enrolled. Each student pays a monthly fee of $1,200 to cover the course and the Cloud Nine ESL Program, of which approximately 35% is paid to international agents as commissions for locating students, resulting in net revenues of approximately $23,000 per month commencing from September 2015.

In addition, the school offers four-week winter camp courses in January, February, and four-week summer camp courses in June, July and August.

During the winter and summer camp months, the Company expects to generate additional net revenues of $1,000 per student for up to 65 additional students per month, which could potentially increase the monthly revenues by up to $65,000 per month.

Approximately 65 students enrolled in winter camp courses in January and February of 2016. As at the date of this Prospectus, the Company has received over 60 registrations for the short term summer camp courses in 2016 and the number of registrations may increase prior to the commencement of such courses. In addition to the revenues generated by the school, the Company anticipates generating revenues through the sales of the Cloud Nine ESL Program in international schools in or about June of 2016.

While there can be no assurance that any outstanding options or warrants will be exercised, any exercise of such convertible securities would also be a source of funding for the Company.

DIVIDENDS OR DISTRIBUTIONS

The Company has not paid dividends since its incorporation. While there are no restrictions in the Company’s articles or pursuant to any agreement or understanding which could prevent the Company from paying dividends or distributions, the Company has limited cash flow and anticipates using all available cash resources to fund working capital and grow its business. As such, there are no plans to pay dividends in the foreseeable future. Any decisions to pay dividends in cash or otherwise in the future will be made by the Board on the basis of the Company's earnings, financial requirements and other conditions existing at the time a determination is made.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Financial Statements and MD&A are included as schedules to this Prospectus as follows:

- **Schedule A:** reviewed unaudited interim financial statements of the Company for the period ended March 31, 2016;
- **Schedule B:** the Company's Management's Discussion and Analysis for the period ended March 31, 2016;
- **Schedule C:** audited consolidated annual financial statements of the Company for the financial year ended September 30, 2015;
- **Schedule D:** the Company's Management's Discussion and Analysis for the financial year ended September 30, 2015;
- **Schedule E:** reviewed unaudited annual financial statements of EC for the financial year ended September 30, 2014 and reviewed balance sheet of EC for the financial year ended September 30, 2013; and
- **Schedule F:** audited annual financial statements of BHR from December 3, 2014 (date of incorporation) to March 31, 2015.

The Financial Statements and the financial data derived therefrom and included in this Prospectus have been prepared in accordance with IFRS.

The Company's MD&A included herein should read in conjunction with the Financial Statements and the disclosure contained in this Prospectus. The discussions of results are as of the dates stated in the applicable MD&A.

DESCRIPTION OF THE SECURITIES DISTRIBUTED

Common Shares

The Company's authorized capital consists of an unlimited number of Shares, of which 29,669,210 Shares are issued and outstanding as at the date of this Prospectus. Holders of the Shares are entitled to one vote per share at all meetings of the holders of common shares of the Company and, subject to the rights of holders of any shares ranking in priority to or on a parity with the Shares, to participate rateably in any distribution of the Company's property or assets upon liquidation or wind-up.

Warrants

As of the date of this Prospectus, there are outstanding warrants exercisable to acquire up to an aggregate of 6,440,730 Shares at exercise prices ranging from $0.10 to $0.50 per Share with expiry dates ranging from April 22, 2017 to December 16, 2017.

Options

As of the date of this Prospectus, there are outstanding options to exercisable to purchase up to an aggregate of 932,500 Shares, all at an exercise price of $0.10 per Share until April 22, 2020.

CONSOLIDATED CAPITALIZATION

The following tables provide information about capitalization as of the date of this Prospectus:

Description of security	Number authorized to be issued	Amount outstanding as of the date of this Prospectus
Shares	No maximum	29,669,210
Warrants(1)	n/a	6,440,730
Options(2)	n/a	932,500

(1) Issued pursuant to private placements and Arrangement. See "*Prior Sales*".
(2) Granted pursuant to the Company's Stock Option Plan. See *"Options to Purchase Securities*" and "*Prior Sales*".

OPTIONS TO PURCHASE SECURITIES

The Board has adopted a stock option plan (the "**Stock Option Plan**") whereby a maximum of 10% of the issued and outstanding Shares, from time to time, may be reserved for issuance pursuant to the exercise of options. Under the terms of the Stock Option Plan, options may be granted only to: (i) employees, officers, directors, and consultants of the Company; and (ii) employees, officers, directors, and consultants of an affiliate of the Company.

Subject to a minimum price of $0.10 per Share, the exercise price of any option may not be less than the closing market price of the Shares on the trading day immediately preceding the date of grant of the option, less any applicable discount allowed by the Exchange or any other stock exchange on which the Shares are listed for trading (the "**Minimum Exercise Price**"). If any options are granted within 90 days of a public distribution of Shares by prospectus, then the minimum exercise price shall be the greater of the Minimum Exercise Price and the price per Share paid by the investors for Shares acquired under the public distribution. The 90 day period shall commence on the date the Company is issued a final receipt for the prospectus.

The options are non-assignable and non-transferable. Options granted under the Stock Option Plan have a maximum term of five years and can only be exercised by the optionee as long as the optionee remains an eligible optionee pursuant to the Stock Option Plan or within 90 days (or as otherwise determined by the Board) after ceasing to be an eligible optionee, or, if the optionee dies, within one year from the date of the optionee's death.

Subject to shareholder approval in certain circumstances, the Board may from time to time amend or revise the terms of the Stock Option Plan or may terminate the Stock Option Plan at any time.

The following table summarizes the allocation of the options granted by the Company from the date of adoption of Stock Option Plan up to the date of this Prospectus:

Optionee	Number of Options(1)(2)	Exercise Price (CDN$)	Expiry Date
Director & Officer	400,000	$0.10	April 22, 2020
Director only	150,000	$0.10	April 22, 2020
Officers only	175,000	$0.10	April 22, 2020
Employees	82,500	$0.10	April 22, 2020
Consultants	125,000	$0.10	April 22, 2020
Total:	**932,500**		

(1) Excludes the 267,500 options that have expired due to several employees no longer being employed by the Company.
(2) These options vest immediately.

PRIOR SALES

On April 14, 2015, the Company entered into the Arrangement Agreement with PlanCo and BHR, which was approved by the Court by the granting of the Final Order on April 30, 2015. The Arrangement was completed on June 10, 2015, pursuant to which, among other things:

1. BHR acquired all issued and outstanding common shares of the Company from PlanCo (the "**Purchase Shares**") for consideration of $10,000, $2,000 of which was paid on signing of the Arrangement Agreement and $8,000 of which was paid on closing of the Arrangement;

2. the Company acquired all of the issued and outstanding shares of BHR from all of the shareholders of BHR through a share exchange on a 1-for-1 basis;

3. PlanCo issued 1,000 common shares to the Company and, in turn, the Company issued an aggregate of 396,600 common shares to PlanCo (the "**Distribution Shares**");

4. the Distribution Shares were distributed by PlanCo to the shareholders of PlanCo as of the record date of April 16, 2015, on a pro rata basis according to their shareholdings; and

5. the Purchase Shares were cancelled.

As a result of the Arrangement, BHR became the Company's wholly-owned subsidiary, and the former shareholders of BHR exchanged all of their shareholdings therein for the Company's Shares.

The table below sets out the prior sales of common shares in the authorized capital of the Company's wholly owned subsidiary, BHR, from the date of incorporation on December 3, 2014 to the date of this Prospectus, and the Company, from the date of incorporation on April 14, 2015 to the date of this Prospectus, including the shares issued under the Arrangement on June 10, 2015:

Date of issuance	Type of security	Number of securities	Issue or Exercise Price per security ($)	Value received ($)	Reason for Issue
Oct 1, 2015	Common Shares	500,000	$0.25	125,000	Unit private placement
Oct 1, 2015	Warrants	500,000	$0.50	n/a	Unit private placement
Oct 1, 2015	Warrants	40,000	$0.50	n/a	Finder's fee
Oct 16, 2015	Common Shares	100,000	$0.25	25,000	Unit private placement
Oct 16, 2015	Warrants	100,000	$0.50	n/a	Unit private placement
Oct 16, 2015	Warrants	8,000	$0.50	n/a	Finder's fee
Nov 19, 2015	Common Shares	1,000,000	$0.25	250,000	Unit private placement
Nov 19, 2015	Warrants	500,000	$0.50	n/a	Unit private placement

Date of issuance	Type of security	Number of securities	Issue or Exercise Price per security ($)	Value received ($)	Reason for Issue
Nov 23, 2015	Common Shares	500,000	$0.20	100,000	Unit private placement (1)
Nov 23, 2015	Warrants	500,000	$0.40	n/a	Unit private placement (1)
Feb 19, 2016	Common Shares	300,000	$0.25	75,000	Unit private placement
Feb 19, 2016	Warrants	300,000	$0.50	n/a	Unit private placement
Feb 19, 2016	Warrants	24,000	$0.50	n/a	Finder's fee
June 16, 2016	Common Shares	60,000	$0.25	15,000	Unit private placement (2)
June 16, 2016	Warrants	60,000	$0.50	n/a	Unit private placement (2)

(1) Due to a clerical error, these units were subscribed for in August 2015, but not issued until November 23, 2015.
(2) Due to a clerical error, these units were subscribed for in February 2016, but not issued until June 16, 2016.

SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

Escrowed Securities

In the event that the Company's Shares become listed on the Exchange, the Company anticipates that it will be classified as an "emerging issuer", as defined under NP 46-201 upon such listing. Each of Michael Hunter, Dalton Larson, Peter Lee, Brian Gusko, and Marilyn Wong (collectively, the "**Escrow Holders**") would fall within the definition of "principal" of an emerging issuer under NP 46-201. In accordance with applicable securities rules, the Escrow Holders have executed an escrow agreement with the Company and Trustco made as of January 21, 2016 substantially in the form attached as an Appendix to NP 46-201 (Form 46-201F1) (the "**Escrow Agreement**") in respect of an aggregate of 11,289,110 Shares. The Escrow Agreement will be filed under the Company's profile at www.sedar.com upon listing.

Pursuant to the terms of the Escrow Agreement, each of the Escrow Holders has agreed that until such Escrow Holder sells all of the Shares that are the subject of the Escrow Agreement or three years from the date on which the Shares are listed for trading on the Exchange, whichever is earlier, such Escrow Holder will not transfer or otherwise dispose of such Escrow Holder's Shares during the term of the Escrow Agreement, except that, the following automatic timed releases will apply to such Shares:

Date of Automatic Timed Release	Amount of Escrowed Securities Released
On the Listing Date	1/10 of the escrowed securities held
6 months after the Listing Date	1/6 of the remaining escrowed securities
12 months after the Listing Date	1/5 of the remaining escrowed securities
18 months after the Listing Date	1/4 of the remaining escrowed securities
24 months after the Listing Date	1/3 of the remaining escrowed securities
30 months after the Listing Date	1/2 of the remaining escrowed securities
36 months after the Listing Date	The remaining escrowed securities

The following table sets out information on the number of Shares subject to the terms of the Escrow Agreement among the Company, Trustco, and each of the Escrow Holders:

Name and Position of Escrow Holder	Number of Escrowed Securities	Percentage of Class[1]
Michael Hunter President, CEO & Director	7,000,360 Shares	24%
Dalton Larson Director	2,293,750 Shares	8%
Peter Lee CFO	1,000,000 Shares	3%
Brian Gusko Director	685,000 Shares	2%
Marilyn Wong Corporate Secretary	250,000 Shares	0.8%
Total	**11,229,110 Shares**	

(1) Based on 29,669,210 issued and outstanding Shares; all percentages are rounded to the nearest whole number.

Securities Subject to Contractual Restriction

The Company has entered into amended and restated stock restriction agreements dated effective April 30, 2016 with each of Thomas Musial, Raissa Musial, Christopher Musial, Cindy Kim, Drew Lawrenson, and Theodora Musial (collectively the "**Group A Holders**") and has entered into stock restriction agreements dated effective April 30, 2016 with each of Alissa Levy, Mosam Ventures Inc., Riva Dubrofsky, Stacey Nguyen, Hani El Rayess, Simon Griffiths, Marc Levy, Irene Gusko and Penny Green (collectively the "**Group B Holders**").

The Group A Holders have agreed that until they either sell all of the Shares that are the subject of their respective stock restriction agreement or three years from the date on which the Shares are listed for trading on the Exchange, whichever is earlier, they will not transfer or otherwise dispose of their Shares, without the Company's prior written consent, during the term of their stock restriction agreement, except that the following automatic timed releases will apply to such Shares in the event that the Shares are listed on the Exchange:

Date of Automatic Timed Release	Amount of Restricted Shares Released
On the Listing Date	10% of the Shares
6 months after the Listing Date	15% of the Shares
12 months after the Listing Date	15% of the Shares
18 months after the Listing Date	15% of the Shares
24 months after the Listing Date	15% of the Shares
30 months after the Listing Date	15% of the Shares
36 months after the Listing Date	The remainder of the Shares

The Group B Holders have agreed that until they either sell all of the Shares that are the subject of their respective stock restriction agreement or three years from the date on which the Shares are listed for trading on the Exchange, whichever is earlier, they will not transfer or otherwise dispose of their Shares, without the Company's prior written consent, during the term of their stock restriction agreement, except that the following automatic timed releases will apply to such Shares in the event that the Shares are listed on the Exchange:

Date of Automatic Timed Release	Amount of Restricted Shares Released
On the Listing Date	25% of the Shares
6 months after the Listing Date	25% of the Shares
12 months after the Listing Date	25% of the Shares
18 months after the Listing Date	The remainder of the Shares

The above stock restrictions for will not apply to a transfer of the applicable Shares in respect of any of the Group A Holders or Group B Holders:

(a) to any of the Company's directors, officers, employees or consultants;

(b) to the Company pursuant to a redemption initiated by us;

(c) during the shareholder's lifetime or on the shareholder's death by will or intestacy to the shareholder's beneficiaries or a trust for the benefit of the shareholder's beneficiaries (for purposes of this Stock Restriction Agreement, "beneficiary" means the shareholder and the immediate family of the shareholder, including any relation by blood, marriage or adoption and no more remote than a first cousin); or

(d) if the shareholder is an entity, a transfer made as a distribution solely to a member, partner, or stockholder of such Shareholder,

so long as the transferee executes a joinder to their stock restriction agreement and any other agreements reasonably required by the Company, pursuant to which such transferee(s) agree to be bound by the terms and conditions of such agreement(s).

The following table sets out information on the number of Shares held by each holder that are subject to the terms of a Stock Restriction Agreement:

Name of Holder	Number of Shares	Percentage of Class(1)
Thomas Musial	625,000	2.1%
Raissa Musial	375,000	1.3%
Chris Musial	375,000	1.3%
Shinhee Kim	200,000	0.7%
Theodora Musial	625,000	2.1%
Drew Lawrenson	100,000	0.3%
Riva Dubrofsky	950,000	3.2%
Alissa Levy	750,000	2.5%
Mosam Ventures Inc.	875,000	2.9%
Stacey Nguyen	250,000	0.8%
Hani John El Rayess	900,000	3.0%
Simon Griffiths	625,000	2.1%
Marc Levy	200,000	0.7%
Irene Gusko	250,000	0.8%
Penny Green	100,000	0.3%
Total	**7,200,000**	**24.10%**

(1) Based on 29,669,210 issued and outstanding Shares.

PRINCIPAL SHAREHOLDERS

To the knowledge of the Company's directors and officers, the only person who beneficially owns, or controls or direct, directly or indirectly, voting securities carrying 10% or more of the voting rights attached to any the Shares is as follows:

Name	Position or Office held with the Company	Common Shares Beneficially Owned or Controlled	Number of Convertible or Exchangeable Securities Outstanding	Percentage of Ownership on an Undiluted Basis(2)	Percentage of Ownership on a Fully-diluted Basis(3)
Michael Hunter British Columbia, Canada	President, CEO, Director	7,000,360	400,000(1)	24%	20%

(1) Represents options to purchase Shares at an exercise price of $0.10, expiring on April 22, 2020.
(2) Based on 29,669,210 issued and outstanding Shares.
(3) Based on 37,042,440 issued and outstanding Shares, assuming exercise of all outstanding warrants and options.

DIRECTORS AND EXECUTIVE OFFICERS

Name, Occupation, and Security Holdings

The following table sets out the name; province and country of residence; position or offices held with the Company; date appointed; number and percentage of voting securities of the Company that each of the directors and executive officers beneficially owns directly or indirectly, or exercises control over as at the date of this Prospectus and the occupations held during the past five years:

Name, Current Position, and Province and Country of Residence	Position Held Since(1)	Common Shares Beneficially Owned or Controlled	Number of Convertible or Exchangeable Securities Outstanding	Total Ownership on an Undiluted Basis	Total Ownership on a Fully-diluted Basis
Michael Hunter(2)(3) President, CEO Vancouver, BC Canada	April 30, 2015	7,000,360(4) (24%(5))	400,000(7)	7,000,360	7,400,360 (20%(6))
Dalton Larson(2)(3) Director Surrey, BC Canada	April 30, 2015	2,293,750(4) (8%(5))	150,000(7)	2,293,750	2,443,750 (7%(6))
Brian Gusko(2) Director Vancouver BC Canada	August 31, 2015	685,000(4) (2%(5))	100,000(8)	685,000	785,000 (2%(6))
Kulwant Sandher Director Coquitlam BC Canada	December 9, 2015	60,000(4) (0.2%(5))	60,000(9)	60,000	120,000 (0.3%(6))
Peter Lee CFO Vancouver, BC Canada	April 30, 2015	1,000,000(4) (3%(5))	100,000(7)	1,000,000	1,100,000 (3%(6))

Name, Current Position, and Province and Country of Residence	Position Held Since(1)	Common Shares Beneficially Owned or Controlled	Number of Convertible or Exchangeable Securities Outstanding	Total Ownership on an Undiluted Basis	Total Ownership on a Fully-diluted Basis
Marilyn Wong Corporate Secretary Burnaby, BC Canada	April 30, 2015	250,000(4) (0.8%(5))	75,000(7)	250,000	325,000 (0.9%(6))

(1) Term of office expires upon holding the first annual meeting of shareholders.
(2) Member of the audit committee.
(3) Member of the disclosure committee.
(4) Beneficially owned and controlled.
(5) Based on 29,669,210 issued and outstanding Shares.
(6) Based on 37,042,440 issued and outstanding Shares, assuming exercise of all outstanding warrants and options.
(7) Represent options to purchase Shares at an exercise price of $0.10 per Share for a period of five years pursuant to the Stock Option Plan.
(8) Represent warrants to purchase Shares at an exercise price of $0.10 per Share for a period of 12 months.
(9) Represent warrants to purchase Shares at an exercise price of $0.50 per Share for a period of 18 months.

Management – Directors and Officers of the Company

Below is a brief description of each of the directors and executive officers of the Company including: names; ages; positions and responsibilities; relevant educational background; principal occupations or employment during the five years preceding the date of this Prospectus; and relevant experience in the education industry.

Michael Hunter - President, CEO, Director

Michael Hunter, 57, has a B.A. with specialization from the University of Alberta and a B. Ed. (candidate) from Simon Fraser University along with a range of teaching experience including ESL. Mr. Hunter has gained corporate development expertise having worked in an executive management capacity for several years serving on boards of directors for both private and publically listed companies on the TSX, the New York Stock Exchange and the Frankfurt exchange(s).

Mr. Hunter was the President and CEO of Cardero Coal Ltd. (a subsidiary of Cardero Resource Corp; TSX:CDU) from May 2010 to March 2013. In April of 2013, Mr. Hunter founded Anterior Education (now called Cloud Nine Education Group Ltd.). In his capacity as the President and CEO and a director of the Company, Mr. Hunter is responsible for corporate development related to asset acquisition and corporate financing. In addition, he also manages the senior staff related day-to-day operations, and provides oversight of the development of the Cloud Nine ESL Program, sales, student recruitment and human resources.

Mr. Hunter is an employee of the Company and intends to dedicate 100% of his professional time to the affairs of the Company. In addition to his roles as President, CEO and a director, Mr. Hunter is also a member of the Company's audit committee. Mr. Hunter has entered into a confidentiality agreement with the Company.

Dalton Larson - Director

Dalton Larson, 75, holds a Masters Degree in Law from the University of London, England and specializes in corporate governance and compliance. In his early career, he was a fulltime member of the Faculty of Law at the University of British Columbia teaching a range of commercial courses including company law. He is a former partner of Lawrence and Shaw which is now McMillan LLP, a major Vancouver law firm, and currently maintains a private practice as an expert in alternate dispute resolution including arbitration and mediation.

Mr. Larson also carries on an investment business and has considerable business and finance experience including serving for several years as a director of several investment funds managed by the CW Funds group of companies affiliated with Ventures West Management Inc. Mr. Larson served as Chairman of the board of directors of First Coal Corporation from 2004 to 2011. First Coal Corporation was sold to Xstrata Coal in 2011 for over $150 million.

Mr. Larson is currently a member of the board of directors of Energizer Resources Inc. (TSE: EGZ), a publically traded mineral exploration and mining company that is developing its 100% owned flagship Molo Graphite Project in southern Madagascar. He is also Chairman of the board of directors and a member of the Audit Committee of Cloud Nine College and most recently was appointed a member of the board of directors of SmartCool Systems Inc. (TSX-V: SSC).

Mr. Larson intends to dedicate 5% of his professional time to the affairs of the Company. Mr. Larson is a member of the Company's audit committee. Mr. Larson has entered into a confidentiality agreement with the Company.

<u>Brian Gusko - Director</u>

Brian Gusko, 50, has a B.A. from Carleton University and an MBA from the Haskayne School of Business at the University of Calgary. He also completed the Canadian Securities Course. Mr. Gusko has diverse international business experience, having worked in corporate development, finance, planning and marketing functions in South Africa, Holland, Japan, and Mexico. More recently, he has been active in the private and public markets in helping to raise equity for private and public companies.

Mr. Gusko was the former CFO of each of UC Resources Ltd. and Vodis Pharmaceuticals (CSE:RZX). Mr. Gusko also sits on the board of directors of Lomiko Metals Inc. (TSX-V: Pacific Therapeutics Ltd. (CSE:PT).

Mr. Gusko is a Partner at Howe & Bay Financial Corporation, a Canadian capital markets advisory firm and intends to dedicate 10% of his professional time to the affairs of the Company. Mr. Gusko is the Chair of the Company's audit committee. Mr. Gusko has entered into a confidentiality agreement with the Company.

<u>Kulwant Sandher - Director</u>

Kulwant Sandher, 54, is a Chartered Accountant with over 20 years of experience in business and finance. Mr. Sandher graduated from Queen Mary, University of London (formerly known as Queen Mary College) in 1986 with a B.Sc. degree (Eng) in Avionics. Mr. Sandher became a Chartered Accountant in England in 1991 and received his Chartered Professional Accountant designation in Canada in 1997.

Mr. Sandher has private and public company experience. He served as CFO of MineSense Technologies Inc. from August 2013 until July 2015. Mr. Sandher has also served as CFO of several publicly listed companies, including: Hillcrest Petroleum (TSX-V), Millrock Resources Inc. (TSX-V) and St. Elias Mines (TSX-V). Currently, Mr. Sandher serves as President of Hurricane Corporate Services Ltd. and as CFO of Intigold Mines Ltd. (TSX-V). Furthermore, Mr. Sandher has served as a director and CFO of Delta Oil and Gas Inc. since 2007.

Mr. Sandher intends to dedicate 20-30% of his professional time to the affairs of the Company. Mr. Sandher has entered into a confidentiality agreement with the Company.

<u>Peter Lee - CFO</u>

Peter Lee, 41, is a Chartered Accountant with several years of experience in both public practice and industry experience with specific expertise in financial reporting, management and corporate finance. He has been involved with diverse business start-ups and has experience with day-to-day management as well operations. He earned his B.Sc. (double major in Biochemistry and Chemistry) and Diploma in Accounting at UBC and obtained his Chartered Accountant designation while articling at PricewaterhouseCoopers LLP, Vancouver in 2005.

Mr. Lee is currently the CFO and a director of Atoro Capital Corp. (a TSX-V: TTO.H) and has been active with the Company since its incorporation.

Mr. Lee is an employee of the Company and intends to dedicate 90% of his professional time to the affairs of the Company. Mr. Lee has entered into a confidentiality agreement with the Company.

Marilyn Wong – Corporate Secretary

Marilyn Wong, 55, has several years of experience in the corporate securities industry including private and public company management, corporate governance and regulatory filings for TSX and TSX–V listed companies. Ms. Wong was a securities paralegal with Smith Lyons Torrance Stevenson and Mayer, Vancouver, and its predecessor law firms, having garnered experience in preparing securities and regulatory documents and filings. Ms. Wong has held the office of Corporate Secretary with various TSX and TSX-V listed companies including Cardero Coal Ltd. (a subsidiary of Cardero Resource Corp; TSX:CDU) from July 2010 to June 2013. Ms. Wong has been the Corporate Secretary of Cloud Nine College since October 2013.

Ms. Wong is an independent contractor of the Company and intends to dedicate 20% of her professional time to the affairs of the Company. Ms. Wong has entered into a confidentiality agreement with the Company.

Term of Office of Directors

The term of office of the directors expires annually at the time of the Company's annual general meeting. The term of office of the executive officers expires at the discretion of the Board.

Aggregate Ownership of Securities

As at the date of this Prospectus, the directors and executive officers of the Company as a group beneficially own, directly or indirectly, or exercise control 11,289,110 Shares collectively representing 38% of the 29,669,210 issued and outstanding Shares.

Conflicts of Interest

The directors of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interests which they may have in any project or opportunity of the Company. If a conflict of interest arises, any director in a conflict will disclose his interest and abstain from voting on such matter at a meeting of the Board.

To the best of the Company's knowledge, and other than as disclosed in this Prospectus, there are no known existing or potential conflicts of interest among the Company, its promoters, directors and officers or other members of management of the Company or any proposed promoter, director, officer or other member of management as a result of their outside business interests, except that certain of the directors and officers serve as directors and officers of other companies, and therefore it is possible that a conflict may arise between their duties to the Company and their duties as a director or officer of such other companies.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Cease Trade Orders

To the Company's knowledge and other than as disclosed herein, no existing or proposed director or executive officer of the Company is, as at the date of this Prospectus, or was within 10 years before the date hereof, a director, chief executive officer or chief financial officer of any company, including the Company, that:

(i) was subject to an order that was issued while the director or executive officer was acting in the capacity of a director, the chief executive officer or the chief financial officer thereof; or

(ii) was subject to an order that was issued after the director or executive officer ceased to be a director, the chief executive officer or the chief financial officer thereof and which resulted from an event that occurred while that person was acting in such capacity.

Brian Gusko was in a management position as an assistant to the President of UC Resources Ltd. ("**UC Resources**"). A management cease trade order was issued in respect of UC Resources on November 2, 2006 at the request of management. UC Resources subsequently filed the required financials and the management cease trade order was revoked on November 16, 2006.

In September, 2015, Brian Gusko joined the board of directors of First Choice Products Inc. (CSE:FCI) ("**FCI**") and stepped in as interim CFO after FCI had already been halted for over one year due to failure to file audited financials. Mr. Gusko's joining of the board of directors and acting as interim CFO of FCI when the company was already cease traded was part of an initiative to conduct due diligence, gain control of the finances, and seek refinancing options for FCI. After two months of Mr. Gusko being on the board of directors and as CFO, it was decided that refinancing of FCI would be challenging. Mr. Gusko subsequently stepped down from FCI's board of directors and resigned as CFO in November, 2015.

Kulwant Sandher has been a director and the CFO of Delta Oil & Gas Inc. since January 2007. On April 14, 2014, the BCSC issued a cease trade order for failure to file financial statements due to lack of funds.

Bankruptcies

To the Company's knowledge and other than as disclosed herein, no existing or proposed director or executive officer of the Company or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company:

(i) is, as at the date of this Prospectus, or has been within the 10 years before the date hereof, a director or executive officer of any company, including the Company, that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets except Marilyn Wong as detailed below; or

(ii) has, within the 10 years before the date of this Prospectus, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or became subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

On March 4, 2009, Redcorp Ventures Ltd. ("**Redcorp**"), formerly a TSX listed company, while Marilyn Wong held the position of corporate secretary of Redcorp, filed for protection under the the *Companies' Creditors Arrangement Act* (Canada) on March 4, 2009 and on May 20, 2009, Redcorp was assigned into bankruptcy. Ms. Wong ceased to be an officer of Redcorp by June of 2009.

Penalties or Sanctions

To the Company's knowledge and other than as disclosed herein, no existing or proposed director or executive officer of the Company or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, has been subject to:

(i) any penalties or sanctions imposed by a court relating to provincial and territorial securities legislation or by a provincial and territorial securities regulatory authority or has entered into a settlement with a provincial and territorial securities regulatory authority; or

(ii) any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor in making an investment decision.

Enforcement of Judgments against Foreign Persons or Companies

None of the directors and officers of the Company reside outside of Canada.

EXECUTIVE COMPENSATION

This disclosure is intended to communicate the compensation provided to the Company's CEO and President, CFO, and directors from the period of incorporation on April 14, 2015 to December 31, 2015. Compensation to be paid to the Company's officers and directors will be determined by the Board once operations have been established in accordance with management consulting agreements that the Company plans to enter into with its officers and directors.

Compensation Discussion and Analysis

The Company is in the development stage and has an informal compensation program and strategy. The management team is committed to developing the operations of the Company and will establish a formal compensation program once it begins generating revenues sufficient to sustain operations.

The Board is responsible for determining, by way of discussions at board meetings, the compensation to be paid to the executive officers of the Company. The Company does not have a formal compensation program with set benchmarks; however, the performance of each executive is considered along with the Company's ability to pay compensation and its results of operation for the period.

The Company relies solely on its Board to determine the executive compensation that is to be paid to NEOs without any formal objectives, criteria, or analysis.

The following table sets out information regarding compensation paid to or awarded to the NEOs and directors for the last two fiscal years, including NEOs for the Company and its subsidiaries, Cloud Nine College, BHR and EC, and its former subsidiary, ILI:

Table of compensation excluding compensation securities							
Name and position	**Year**	**Salary, consulting fee, retainer or commission ($)**	**Bonus ($)**	**Committee or meeting fees ($)**	**Value of Perquisites ($)**	**Value of all other compensation ($)**	**Total compensation ($)**
Michael Hunter[(1)] CEO, President & Director	2014 2015	- 108,300	- -	- -	- -	- -	- 108,300
Peter Lee[(2)] CFO	2014 2015	- 78,750	- -	- -	- -	- -	- 78,750
Brian Gusko[(3)] Director	2014 2015	- -	- -	- -	- -	- -	- -
Dalton Larson[(4)] Director	2014 2015	- -	- -	- -	- -	- -	- -
Kulwant Sandher Director	2014 2015	- -	- -	- -	- -	- -	- -

(1) Also President and CEO and director of Cloud Nine College, BHR and EC; former CEO and Director of ILI.
(2) Mr. Lee was paid a management fee of $2,000 per month for consulting services provided from January to August, 2014, which fee was paid to his wholly-owned company, Kowest Consulting Ltd.
(3) Also a director of BHR.
(4) Also a director of Cloud Nine College and BHR.

Compensation Securities							
Name and position	**Type of compensation security**	**Number of compensation securities, number of underlying securities, and percentage of class**[1]	**Date of issue or grant**	**Issue, conversion or exercise price ($)**	**Closing price of security or underlying security on date of grant ($)**	**Closing price of security or underlying security at year end ($)**	**Expiry date**
Michael Hunter CEO, President & Director	Options	400,000 (1%)	April 22, 2015	$0.10	-	-	April 22, 2020
Peter Lee CFO	Options	100,000 (0.3%)	April 22, 2015	$0.10	-	-	April 22, 2020
Brian Gusko Director	-	-	-	-	-	-	-
Dalton Larson Director	Options	150,000 (0.4%)	April 22, 2015	$0.10	-	-	April 22, 2020
Kulwant Sandher Director	-	-	-	-	-	-	-

(1) Based on 37,042,440 issued and outstanding Shares, assuming exercise of all outstanding warrants and options.

Elements of Executive Compensation

Except as otherwise disclosed in this Prospectus, the NEOs intend to donate their services until the Company begins generating revenue. Any salary paid to the NEOs will be dependent upon the Company's finances

Incentive Plan Awards

The Company currently has the Stock Option Plan in place for the purposes of attracting and motivating directors, officers, employees, and consultants of the Company and advancing the interests of the Company by affording such persons with the opportunity to acquire an equity interest in the Company through rights granted under the Stock Option Plan. Any grant of options under the Stock Option Plan is within the discretion of the Board, subject to the condition that the maximum number of Shares which may be reserved for issuance under the Stock Option Plan may not exceed 10% of the Company's issued and outstanding Shares.

Pension Plan Benefits

The Company does not currently provide any pension plan benefits for executive officers, directors, or employees.

Employment, Consulting and Management Agreements

Compensation agreements that the Company or any of its wholly-owned subsidiaries has entered into with NEOs are summarized as follows:

> Marilyn Wong was appointed Corporate Secretary of the Company on April 30, 2015. Ms. Wong's remuneration is billed to the Company at a fee of $100.00 per hour. On April 22, 2015, she was granted 75,000 options in the Company exercisable at $0.10 until April 22, 2020.

Termination and Change of Control Benefits

The Company has not granted any termination or change of control benefits. There are no compensatory plans or arrangements with respect to the NEOs resulting from the resignation, retirement or any other termination of employment of the officer's employment or from a change of NEOs' responsibilities following a Change of Control. In case of termination of NEOs, common law and statutory law applies.

Director Compensation

There are no other arrangements from those disclosed above under which directors were compensated by the Company to the date of this Prospectus.

Other than compensation paid to the NEOs, no compensation was paid to the Company's directors in their capacity as directors of the Company, in their capacity as members of a committee of the Board or as consultants or experts, during the Company's most recently completed financial year. A formal compensation program for the Company's directors will be established once the Company begins generating revenues sufficient to sustain operations.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No director or officer of the Company, or any associate or affiliate of such person is or has ever been indebted to the Company; nor has any such person's indebtedness to any other entity been the subject of a guarantee, support agreement, letter of credit or similar arrangement or understanding provided by the Company.

CORPORATE GOVERNANCE

Audit Committee

The members of the Company's audit committee are Brian Gusko (Chair), Michael Hunter, and Dalton Larson. The audit committee is responsible for overseeing the Company's financial reporting process on behalf of the Board, including overseeing the work of the independent auditors who report directly to the audit committee.

The specific responsibilities of the audit committee, among others, include:

(i) evaluating the performance and assessing the qualifications of the independent directors and recommending to the Board and the shareholders the appointment of the Company's external auditor;

(ii) determining and approving the engagement of and compensation for audit and non-audit services of the Company's external auditor;

(iii) reviewing the Company's financial statements and management's discussion and analysis of financial condition and results of operations and recommending to the Board whether or not such financial statements and management's discussion and analysis of financial condition and results of operations should be approved by the Board;

(iv) conferring with the Company's external auditor and with management regarding the scope, adequacy and effectiveness of internal financial reporting controls;

(v) establishing procedures for the receipt, retention and treatment of complaints received by the Company regarding its accounting controls, internal accounting controls or auditing matters and the confidential and anonymous submission by employees of concerns regarding questionable accounting and auditing matters; and

(vi) reviewing and discussing with management and the independent auditor, as appropriate, the Company's guidelines and policies with respect to risk assessment and risk management, including major financial risk exposure and investment and hedging policies and the steps taken by management to monitor and control the Company's exposure to such risks.

<u>Audit Committee Charter</u>

The Audit Committee Charter is attached to this Prospectus as Schedule G.

Composition of Audit Committee and Independence

The following are the members of the audit committee:

Brian Gusko	Independent[(1)]	Financially literate[(1)]
Michael Hunter	Not independent[(1)]	Financially literate[(1)]
Dalton Larson	Independent[(1)]	Financially literate[(1)]

(1) As defined under National Instrument 52-110 *Audit Committees* ("**NI 52-110**").

Relevant Education and Experience

Michael Hunter

Mr. Hunter has business and finance experience having worked in executive management positions for the past 11 years serving on boards of directors for both private and publically listed companies on the TSX, the NYSE and the Frankfurt exchange(s). In such capacity, he has played a direct or leading role in raising public and private equity.

Dalton Larson

Mr. Larson has considerable business and finance experience including serving for several years as a director of several investment funds managed by the CW Funds group of companies affiliated with Ventures West Management Inc. Mr. Larson was a founding shareholder and first Chairman of the board of directors of First Coal Corporation which started operations in 2004 and was sold to Xstrata Ltd. in 2011 for over $150 million.

Brian Gusko

Brian Gusko brings with him resource, technology and international business experience. He has a B.A. from Carleton University and an MBA from the Haskayne School of Business at the University of Calgary. He also completed the Canadian Securities Course. Mr. Gusko has gained diverse international business experience, having worked in corporate development, finance, planning and marketing functions in South Africa, Holland, Japan, and Mexico. More recently, he has been active in the private and public markets in helping to raise equity for private and public companies.

Mr. Gusko was the CFO of UC Resources Ltd., and became the CFO of Vodis Pharmaceuticals (CSE:RZX) on July 1, 2015 when it started trading on the CSE. Mr. Gusko also sits on the board of directors of Lomiko Metals Inc. (TSX-V:LMR) and Pacific Therapeutics Ltd. (CSE:PT) and has further been on the audit committee of four public companies.

Mr. Gusko is also a Partner at Howe & Bay Financial Corporation, a leading Canadian Capital Markets advisory firm.

Audit Committee Oversight

The audit committee was first appointed by the Board on May 20, 2015. The Board as a whole carried out the responsibilities of the audit committee prior to May 20, 2015. The audit committee has not yet made any recommendations concerning the nomination or compensation of the Company's external auditor, as such auditor was appointed by the Board.

Reliance on Certain Exemptions

Since the commencement of the Company's most recently completed financial year, the Company has not relied on:

(a) the exemption in section 2.4 (*De Minimis Non-audit Services*) of NI 52-110; or

(b) the exemption in subsection 6.1.1(4) (*Circumstance Affecting the Business or Operations of the Venture Issuer*) of NI 52-110; or

(c) the exemption in subsection 6.1.1(5) (*Events Outside Control of Member*) of NI 52-110; or

(d) the exemption in subsection 6.1.1(6) (*Death, Incapacity or Resignation*) of NI 52-110; or

(e) an exemption from NI 52-110, in whole or in part, granted under Part 8 (*Exemptions*).

Pre-Approval Policies and Procedures

The audit committee has not adopted any specific policies and procedures for the engagement of non-audit services.

External Auditor Service Fees

The following table sets out the audit fees incurred by the Company from April 14, 2015 (date of incorporation) to September 30, 2015 (its financial year end) including Q2 and Q3 review engagements:

Audit Service Fees	**Amount (CDN$)**
2015 YE audit	13,125
2015 Q2 and Q3 Review	11,760
2016 Q1 and Q2 Review	10,237
Total	**35,122**

Exemption

The Company is relying on the exemption in section 6.1 of NI 52-110 from the requirements of Parts 3 (*Composition of the Audit Committee*) and 5 (*Reporting Obligations*).

Corporate Governance Disclosure

Corporate governance relates to the activities of the Board, the members of which are elected by and are accountable to the shareholders, and takes into account the role of the individual members of management who are appointed by the Board and who are charged with day-to-day management of the Company.

Pursuant to National Instrument 58-101 *Disclosure of Corporate Governance Practices*, the Company is required to disclose its corporate governance practices, as summarized below. The Board will monitor such practices on an ongoing basis and when necessary implement such additional practices as it deems appropriate.

National Policy 58-201 *Corporate Governance Guidelines* establishes corporate governance guidelines to be used by issuers in developing their own corporate governance practices. The Board is committed to sound corporate governance practices, which are both in the interest of its shareholders and contribute to effective and efficient decision making. The Board has adopted a Code of Business Conduct and Ethics, which addresses, but is not limited to, the following issues:

(i) conflicts of interest;

(ii) compliance with laws, rules, and regulations;

(iii) protection and proper use of corporate opportunities;

(iv) protection and proper use of corporate assets;

(v) confidentiality of corporate information;

(vi) fair dealing with securityholders, customers, competitors, and employees; and

(vii) accuracy of business records.

In addition, the Company has adopted a Disclosure Policy, which addresses, but is not limited to addressing, the following issues:

(i) timely disclosure of material information;

(ii) insider trading;

(iii) the development and mandate of the Company's Disclosure Committee;

(iv) rumours and speculation; and

(v) designation of spokespersons of the Company.

Board of Directors

As of the date of this Prospectus, the Board consists of four directors: Michael Hunter, Dalton Larson, Brian Gusko, and Kulwant Sandher.

At this time Dalton Larson, Brian Gusko, and Kulwant Sandher are considered to be "independent" within the meaning of NI 52-110. Michael Hunter is not independent since he is the President and CEO of the Company.

Directorships

The following directors of the Company also serve as directors of other reporting issuers:

Name of Director	Other Reporting Issuer	Name of Exchange or Market
Dalton Larson	Energizer Resources Inc.	TSX: EGZ
	SmartCool Systems Inc.	TSX-V: SSC
Brian Gusko	Pacific Therapeutics Ltd.	CSE: PT
	Lomiko Metals Inc.	TSX-V: LMR
Kulwant Sandher	Delta Oil & Gas, Inc.	OTCBB: DLTA

Orientation and Continuing Education

Each new director of the Company is briefed about the nature of the Company's business, its corporate strategy and current issues within the Company. New directors will be encouraged to review the Company's public disclosure records as filed on under its profile at www.sedar.com after the Company becomes a reporting issuer. Directors are also provided with access to management to better understand the operations of the Company, and to the Company's legal counsel to discuss their legal obligations as directors of the Company.

Ethical Business Conduct

The Board has adopted a Code of Business Conduct and Ethics that is posted under the Company's profile at www.sedar.com.

The Board is also required to comply with the conflict of interest provisions of the BCBCA and relevant securities regulation in order to ensure that directors exercise independent judgment in considering transactions and agreements in respect of which a director or officer has a material interest. Any interested director is required to declare the nature and extent of his interest and is not entitled to vote on any matter that is the subject of the conflict of interest. See "*Directors and Executive Officers - Conflicts of Interest*" and "*Risk Factors*".

Nomination of Directors

The Company's management is in contact with individuals involved in the technology, education and other relevant sectors. From these sources management has made a number of contacts and in the event that the Company requires any new directors, such individuals will be brought to the attention of the Board. The Company will conduct reference and background checks on suitable candidates. New nominees generally must have a track record in business management, areas of strategic interest to the Company, the ability to devote the time required to carry out the obligations and responsibilities of a director and a willingness to serve in that capacity.

Compensation

At present, the Board as a whole determines the compensation of the Company's Chief Executive Officer and Chief Financial Officer and does so with reference to industry standards and the financial situation of the Company. The Board has the sole responsibility for determining the compensation of the directors of the Company. See "*Director Compensation*" above.

Given the Company's size, limited operating history and lack of revenues, the Board does not plan to form a compensation committee to monitor and review the salary and benefits of the executive officers of the Company at the present time. The Board will carry out these functions until such time as it considers the formation of a compensation committee to be warranted.

Other Board Committees

In addition to the audit committee, the Company also has a disclosure committee which implements and monitors compliance with the Company's Disclosure Policy. See "*Corporate Governance – Corporate Governance Disclosure*".

Assessments

Neither the Company nor the Board has developed a formal review system to assess the performance of the directors or the Board as a whole. The contributions of individual directors are monitored by other members of the Board on an informal basis through observation.

THE OFFERING

The Offering consists of a minimum of 2,000,000 Units and a maximum of 6,000,000 Units, each Unit consisting of one Share and one-half of one Warrant. Each whole Warrant will entitle its holder to purchase one Share at a price of $0.50 at any time prior to 4:30 p.m. (Vancouver Time) on the date that is 18 months following the Closing Date.

Common Shares

For a description of the attributes of the Shares, see "Description of Securities Distributed – Common Shares".

Warrants

The following statements are subject to the detailed provisions of the Warrant Indenture referred to below. The Warrants will be issued in registered form and will be governed by an indenture to be dated as of the Closing Date (the "**Warrant Indenture**") between the Company and the Warrant Agent, as warrant agent thereunder. The Company has appointed the offices of the Warrant Agent at its offices in Vancouver, British Columbia as the location at which Warrants may be surrendered for exercise or transfer. The following summary of certain provisions of the Warrant Indenture does not purport to be complete and is qualified in its entirety by reference to the provisions of the Warrant Indenture.

Each Warrant will entitle its holder to purchase one Share at a price of $0.50, subject to adjustment as summarized below. Warrants will be exercisable at any time prior to 4:30 p.m. (Vancouver time) on the date that is 18 months following the Closing Date, after which the Warrants will expire and become null and void.

The Warrant Indenture will provide for adjustment in the number of Shares issuable upon the exercise of the Warrants and/or the exercise price per Share in the event of: (i) the subdivision or consolidation of the Shares or issuance of a stock dividend on the Shares or other distribution of Shares or securities convertible into Shares; (ii) the issuance of rights, options or warrants to purchase Shares or securities convertible into Shares at less than 95% of the “fair market value” (as defined in the Warrant Indenture) of the Shares; and (iii) the distribution to all or substantially all the holders of Shares of shares of any other class or of rights, options or warrants (other than those referred to in (ii), above) to acquire Shares or securities convertible into Shares or property or other assets of the Company or of evidences of indebtedness or cash, securities or any property or other assets. The Warrant Indenture will also provide for adjustment in the class and/or number of securities issuable upon the exercise of the Warrants and/or exercise price per security in the event of: (i) any reclassification, subdivision, redivision, reduction, combination, consolidation or change of the Shares; (ii) an amalgamation, merger, plan of arrangement or consolidation of the Company with another entity; or (iii) the transfer of all or substantially all of the assets of the Company.

No adjustment of the exercise price shall be made if the amount of such adjustment shall be less than 1% of the exercise price in effect immediately prior to the event giving rise to the adjustment, provided, however, that in such case any adjustment that would otherwise be required then to be made shall be carried forward and shall be made at the time of and together with the next subsequent adjustment which, together with any adjustment so carried forward, shall amount to at least 1% of the exercise price.

No fractional Shares will be issuable upon the exercise of any Warrants. Holders of Warrants will not have any voting or pre-emptive rights or any other rights which a holder of Shares would have.

The Company will also covenant in the Warrant Indenture that, during the period in which the Warrants are exercisable, it will give public notice of certain stated events at least 14 days prior to the record date or effective date, as the case may be, of such event.

The rights of the holders of Warrants will be subject to modification by “extraordinary resolution”, which will be defined in the Warrant Indenture as a resolution either passed at a meeting of the holders of Warrants by holders of not less than 66 2/3% of the Warrants represented at the meeting or adopted by instruments in writing signed by the holders of not less than 66 2/3% of all Warrants then outstanding.

PLAN OF DISTRIBUTION

Pursuant to the Agency Agreement, the Agent has agreed to offer on a commercially reasonable efforts basis on behalf of the Company, a minimum of 2,000,000 Units and a maximum of 6,000,000 Units offered hereby, on or about ●, 2016, subject to the terms and conditions contained therein, at a price of $0.25 per Unit. In consideration for their services in connection with the Offering, the Company has agreed to pay to the Agent an aggregate fee of nine percent (9%) of the gross proceeds raised from the sale of the Units offered hereby. In addition to the Agent's fee, the Agent will receive Agent's Warrants entitling it to purchase that number of Shares as is equal to 9% of the aggregate number of Units sold pursuant to the Offering. Each Agent's Warrant is exercisable to purchase one Share at the Offering Price for a period of 18 months following the Closing Date. This prospectus also qualifies the distribution of the Agent's Warrants. The Company will also pay the Corporate Finance Fee and the Agent's expenses, including legal fees and disbursements. The Offering Price of the Units has been determined by negotiation between the Company and the Agent.

The obligations of the Agent under the Agency Agreement may be terminated at its discretion on the basis of their assessment of the state of the financial markets and may also be terminated upon the occurrence of certain stated events. While the Agent have agreed to use its commercially reasonable efforts to sell the Units offered hereby, the Agent will not be obligated to purchase any Units not sold. Subscriptions will be received for the Units offered hereby subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. Upon rejection of a subscription, the subscription price and the subscription will be returned to the subscriber forthwith without interest thereon or deduction therefrom.

The Offering will not continue for a period of more than 90 days after the date of the receipt for the final prospectus if subscriptions representing the Minimum Offering are not obtained within that period, unless each of the persons or companies who subscribed within that period has consented to the continuation of the Offering. During the 90 day period, all subscription funds received by the Agent will be held by the Agent pursuant to the provisions of the Agency Agreement. If the Minimum Offering is not completed, the Agent will return any funds received from subscribers without interest thereon or deduction therefrom.

The Company has applied to list the Shares comprised in the Units and underlying the Warrants and the Agent's Warrants distributed under this prospectus on the CSE. Listing will be subject to the Company fulfilling the listing and admission requirements of the CSE.

As at the date of this prospectus, the Company does not have any of its securities listed or quoted, has not applied to list or quote any of its securities, and does not intend to apply to list or quote any of its securities, on the Toronto Stock Exchange, Aequitas NEO Exchange Inc., a U.S. marketplace, or a marketplace outside Canada and the United States of America (other than the Alternative Investment Market of the London Stock Exchange or the PLUS markets operated by PLUS Markets Group plc).

Except for Units issued to persons in the United States, which shall be issued in certificate form, or as otherwise required by law or in accordance with certain regulatory requirements, it is anticipated that the Units will be issued under the book-based system. At the Closing, certificates representing all the Units issued to persons outside of the United States will be issued in registered form to the applicable participants (the "**CDS Participants**") in The Canadian Depository for Securities Limited ("**CDS**") depository service, which includes securities brokers and dealers, banks and trust companies. It is anticipated that such CDS Participants will deposit such certificates with CDS in connection with the book-based system and global certificates representing Units will be issued in the name of CDS or its nominee for the Shares and Warrants held through the book-based system. Subscribers outside of the United States will therefore not be entitled to a certificate or other instrument from the Company or the Company's transfer agent evidencing that person's interest in or ownership of Shares or Warrants, nor, to the extent applicable, will such holder be shown on the records maintained by CDS, except through an agent who is a CDS Participant. However, subscribers participating in the book-based system may, through the applicable CDS Participant, request that such Shares and Warrants be issued to such holder as soon as reasonably practicable.

Neither the Units nor the underlying Shares and Warrants have been or will be registered under the U.S. Securities Act or under any state securities laws and such securities may not be offered or sold in the United States except in compliance with exemptions from the registration requirements of the U.S. Securities Act and applicable state securities laws. The Agency Agreement permits the Agent to offer and sell Units on behalf of the Company, in accordance with applicable law, to "accredited investors" as defined in Rule 501(a) of Regulation D under the U.S. Securities Act, in transactions that comply with the requirements of the exemption from registration provided by Rule 506(b) of Regulation D and in compliance with applicable state securities laws. The Units will also be offered and sold outside the United States only in accordance with Rule 903 of Regulation S under the U.S. Securities Act.

The Units sold in the United States or to or for the account or benefit of persons in the United States, as well as the underlying Shares and Warrants of such Units will be "restricted securities" within the meaning of Rule 144(a)(3) of the U.S. Securities Act. Certificates representing the Units (and underlying Shares and Warrants) that are offered, sold or issued in the United States will bear a legend to the effect that the securities represented thereby are not registered under the U.S. Securities Act or any applicable state securities laws and may only be offered, sold, pledged or otherwise transferred pursuant to certain exemptions from the registration requirements of the U.S. Securities Act and any applicable state securities laws.

RISK FACTORS

An investment in the Units should be considered highly speculative due to the nature of the Company's business and the present stage of development. An investment in the Units should only be made by knowledgeable and sophisticated investors who are willing to risk and can afford the loss of their entire investment. Potential investors should consult with their professional advisors to assess an investment in the Company. In evaluating the Company and its business, investors should carefully consider, in addition to other information contained in this Prospectus, the risk factors below. These risk factors are not a definitive list of all risk factors associated with an investment in the Company or in connection with its operations.

The following are certain factors relating to the Company's business, which prospective investors should carefully consider before deciding whether to purchase Units. The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information set out elsewhere in this Prospectus. These risks and uncertainties are not the only ones the Company is facing. Additional risks and uncertainties not presently known to the Company, or that the Company currently deems immaterial, may also impair operations. If any such risks actually occur, the business, financial condition, liquidity and results of operations could be materially adversely affected.

Forward Looking Information

Certain information set out in this Prospectus includes or is based upon expectations, estimates, projections or other "*forward looking information*". Such forward looking information includes projections or estimates made by the Company about the Company's future business operations. While such forward looking statements and the assumptions underlying them are made in good faith and reflect the Company's management's current judgment regarding the direction of business, actual results will almost certainly vary (sometimes materially) from any estimates, predictions, projections, assumptions or other type of performance suggested here.

Market Risk for Securities

There can be no assurance that an active trading market for the Shares will be established and sustained. Upon Listing, the market price for the Shares could be subject to wide fluctuations. Factors such as commodity prices, government regulation, interest rates, share price movements of peer companies and competitors, as well as overall market movements, may have a significant impact on the market price of the Company's securities. The stock market has from time to time experienced extreme price and volume fluctuations, which have often been unrelated to the operating performance of particular companies.

Speculative Nature of Investment Risk

An investment in the Shares carries a high degree of risk and should be considered as a speculative investment. The Company has no history of earnings, limited cash reserves, a limited operating history, has not paid dividends, and is unlikely to pay dividends in the immediate or near future. The Company is in the early stages of business and has recently launched commercialization of new products and services. Operations are not yet sufficiently established such that the Company can mitigate risks associated with planned activities.

Liquidity and 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.

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.

Global Economy Risk

The ongoing economic slowdown and volatility of global capital markets has generally made the raising of capital by equity or debt financing more difficult. The Company may be dependent upon capital markets to raise additional financing in the future while concurrently establishing a wider customer base. Access to financing has been negatively impacted by the ongoing global economic downturn. As such, the Company is subject to liquidity risks in meeting its operating expenditure requirements and future development cost requirements in instances where adequate cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact the ability to raise equity or obtain loans and other credit facilities in the future and on terms favourable to the Company and its management. If these levels of volatility and slow market conditions persist, the Company's operations, the Company's ability to raise capital and the trading price of the Shares could be adversely impacted.

Dividend Risk

The Company has not paid dividends in the past and does not anticipate paying dividends in the near future. The Company expects to retain earnings to finance further growth and, when appropriate, retire debt.

Share Price Volatility Risk

It is anticipated that the Shares will be listed for trading on the Exchange. As such, external factors outside of the Company's control, such as announcements of quarterly variations in operating results, revenues and costs, and sentiments toward technology and education sector stocks, may have a significant impact on the market price of the Shares. Global stock markets, including the Exchange, have, from time-to-time, experienced extreme price and volume fluctuations. The same applies to companies in the technology and education sectors. There can be no assurance that an active or liquid market will develop or be sustained for the Shares.

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 are not presently being incurred. 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.

Risks Related to the Company's Business

Brand Development

The Company's management believes that building and maintaining awareness of the Company's products and services, particularly the Cloud Nine ESL Program, in a cost-effective manner is important for achieving widespread acceptance of the Company's products and attracting new customers. The Company relies in large part on awards and endorsements from international education organizations and exposure from media and academic outlets to build brand awareness and credibility among customers and the ESL industry. Furthermore, future growth and profitability will depend on the effectiveness and efficiency of advertising and promotional expenditures, including the ability of the Company to (i) create greater awareness of the Company's products and services; (ii) determine the appropriate creative message and media mix for future advertising expenditures; and (iii) effectively manage advertising and promotional costs in order to maintain acceptable operating margins.

The success of the Company's brand depends on the effectiveness of the Company's marketing efforts and on the Company's ability to provide reliable products and support to customers at competitive prices. The Company's brand marketing strategies may not yield increased revenues, and even if they do, any increased revenues may not offset the expenses incurred in its attempts to build the Company's brand. There can be no assurance that advertising and promotional expenditures will result in revenues in the future or will generate awareness of the Company's products or services. If the Company fails to effectively market its brand, the Company may fail to attract new customers, retain existing customers or attract sufficient media coverage in order to realize a sufficient return on branding efforts. A failure in brand development and marketing may result in a negative impact on the Company's business and potential revenues.

Technology Risk

The Company's products and services are partially dependent upon advanced technologies which are susceptible to rapid and substantial 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, the Company's services and products are constantly under revision and development and there can be no assurance that the Company's efforts will result in viable commercial products or services as conceived by the Company.

There is a risk that similar products which may include features more appealing to customers may be developed after the Cloud Nine ESL Program has established itself in Canadian and international markets; and that other products competing with the Company's Cloud Nine ESL Program may use technologies not yet incorporated in the Company's Cloud Nine ESL Program. There is also a risk that certain consumers may not accept or adopt the Company's Cloud Nine ESL Program. The occurrence of any of these events could negatively impact interest in the Cloud Nine ESL Program or other Company services and thus limit the potential revenues to be generated by the Cloud Nine Education Group Ltd.

Technical Operations Infrastructure Risk

The Company's management anticipates significant growth in the number of customers being added to the Cloud Nine ESL Program. The Company seeks to maintain sufficient excess capacity in its operations infrastructure to meet the needs of all of its customers and to facilitate the rapid specialization of the Cloud Nine ESL Program to account for a growing and diverse customer base. In addition, the Company needs to properly manage its technological operations infrastructure in order to support version control, changes in hardware and software parameters, and the evolution of its products and services. Despite the fact that the Company has taken a number of steps to allow its infrastructure to handle significant increases in demand, it may in the future experience website disruptions, outages and other performance problems. These problems may be caused by a variety of factors, including but not limited to: infrastructure changes; human or software errors; viruses; security attacks; fraud; spikes in customer usage; and denial of service issues. In some instances, the Company may not be able to identify the cause or causes of these performance problems within an acceptable period of time, which may harm the Company's reputation and operating results. Furthermore, although the Company has a number of disaster recovery measures in place, if it does not accurately predict its infrastructure requirements, its existing customers may experience service outages that may subject the Company to financial penalties, financial liabilities and customer losses. If the Company's operations infrastructure fails to keep pace with an increased customer base, customers may experience delays as the Company seeks to obtain additional capacity, which could adversely affect the Company's reputation and its revenue.

Third Party Service Providers

The Company relies on a small number of third-party service providers such as Google Drive and Google Classroom, as well as its own facilities, including internal technology to host and deliver its products and services. As set out above under "Description of the Business" the Cloud Nine ESL Program is organized and stored in a system of folders and delivered through Google Education and Google Classroom. Any interruptions or delays in services from these third parties, such as Google Drive, Google Education and Google Classroom, could impair the delivery of the Company's products and services, thereby harming the Company's business and reputation. The Company hosts its products and services on multiple third-party data facilities. While the Company operates equipment through these facilities, the Company does not control the operation or service level requirements of these facilities. These facilities could be subject to cyber-attacks, break-ins, computer viruses, sabotage, intentional acts of vandalism and other misconduct. A natural disaster or an act of terrorism, a decision to close the facilities without adequate notice, capacity limitations at the facilities, and other unanticipated problems could result in lengthy interruptions in availability of the Company's products and services, which could adversely affect the Company's reputation and its revenue.

Furthermore, the Company depends on internet access through third-party bandwidth providers in order to operate its business. If the Company loses the services of these bandwidth providers for any reason, then the Company could experience disruption in the delivery of its products. The Company may experience difficulty in replacing any bandwidth on commercially reasonable terms, or at all, due to the large amount of bandwidth required by the Company. The Company's operations also rely heavily on the availability of electrical power, which is supplied by third-party providers, and any increase in the cost of electrical power could negatively impact the Company's operations and profitability. The Company's operations and profitability may be harmed if the Company or any of its third-party service providers experience any major power outages.

Any errors, defects, disruptions or other performance problems with the Company's products or services caused either by third parties or by the Company could harm the Company's reputation and may damage the Company's business. Interruptions in the availability of the Company's products and services may reduce revenues due to increased turnaround time to complete projects or implement lesson plans, increase the need for the Company to issue credits to customers, cause customers to terminate their contracts with the Company, or adversely affect renewal rates. The Company's business would be harmed if customers or potential customers view the Company's products and services as unreliable, which could adversely affect the Company's reputation and its revenue.

Product Quality Risk

If the information that the Company provides to customers is inaccurate, or perceived to be inaccurate, the Company's brand and overall reputation within the education sector may be harmed. The information collected by the Company or included in its databases, including any lesson plans developed and provided by the Company to customers through the Cloud Nine ESL Program, may contain real or perceived inaccuracies. Any dissatisfaction by customers or the media with the Company's services, products or methodologies could have an adverse effect on the Company's ability to retain existing customers and attract new customers. Additionally, the Company could be contractually required to pay damages, which could be substantial, to certain customers if the information provided to them is found to be negligent in its generation or delivery, and the customers relied on said negligence to make decisions that cause harm to them. Any harm incurred or any harm to the Company's brand or reputation due to actual or perceived irregularities or inaccuracies in the Cloud Nine ESL Program could harm the Company's overall business and adversely affect the Company's reputation and its revenue.

Competitive and Pricing Risk

The markets for ESL training is fragmented, highly competitive and rapidly changing. The Company expects to experience additional competition in the future as more colleges, universities, and for-profit schools offer an increasing number of online programs. With the introduction of technological advances and new entrants into these markets at a rapid pace, competition is expected to intensify in the future which could harm the Company's ability to develop a customer base for the products and mitigate the revenue being generated. Some of the Company's competitors in both the public and private sectors also have substantially greater financial and other resources than the Company. The Company's potential competitors may have significantly greater financial, technical, marketing and other resources; may be able to devote greater resources to the development, promotion, sale and support of their products and services; may have more extensive customer bases and broader customer relationships; and, may have longer operating histories and more brand recognition. In some cases, these businesses may choose to offer their products and services at lower prices or rates in response to new competitors entering the market. In competing with such businesses, the Company may be unable to establish demand for its product and services which could negatively impact the Company's business and potential revenues

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.

Student Financing Risk

If there are changes to financial aid regulations that restrict student eligibility or reduce funding levels for student loans, then enrollment and tuition collection may suffer which could cause revenues to decline. Students also receive a tax deduction for all or a portion of the amount of tuition paid in a particular tax year and amount paid for textbooks (called an education tax credit), as set out in applicable Canadian and provincial income tax laws. The availability of these tax credits may impact the financial ability of students to enroll in the Company's programs and if such tax credits were to be eliminated or reduced, the Company's enrollment levels may decline, which could result in a decrease in revenues.

Currency Risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. A significant change in the currency exchange rates between the Canadian Dollar relative to the U.S. Dollar, Brazilian Real or other foreign currency could have an effect on the Company's results of operations.

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flow or fair values of financial instruments. It arises when the Company invests in interest bearing financial instruments. As of the date of this Prospectus, the Company did not have any significant exposure to interest rate risk.

Additionally, an increase in interest rates could adversely affect the Company's ability to attract and retain students. Some of the Company's students finance their education through unsubsidized private loans. Interest rates have reached relatively low levels in recent years, creating a favorable borrowing environment for students. If interest rates increase, some students may have to pay higher interest rates on their loans, which may adversely impact student enrollment. As is the case with most businesses in the education sector, any future increase in interest rates will result in a corresponding increase in educational costs to the Company's existing and prospective students, which could result in a significant reduction in the Company's student enrollment levels and revenues.

Tax Risk

The Company is subject to various taxes including, but not limited to the following: Canadian income tax; goods and services tax; provincial sales tax; land transfer tax; and payroll tax. The Company's tax filings will be subject to audit by various taxation authorities. While the Company intends to base its tax filings and compliance on the advice of its tax advisors, there can be no assurance that its tax filing positions will never be challenged by a relevant taxation authority resulting in a greater than anticipated tax liability.

Certification Risk

The Company's campuses and education facilities in Canada are certified as eligible educational institutions in accordance with the requirements of applicable student loan regulations at the federal and provincial levels. Private educational institutions must be certified on a campus by campus basis in order for students to be eligible to apply for student loan and grant funding. Certifications are valid for a period of up to five years, subject to review by the granting authority. There are also a number of administrative requirements that must be complied with in order to maintain the Company's existing certification. In addition, the Company and StudentAid BC each conduct semi-annual audits to verify that campuses are in compliance. There is no assurance that the Company's campuses will be certified in the future or will maintain their existing certifications. If the Company were to lose certifications for its campuses, the Company's enrollment levels would decrease, which would have an adverse impact on the Company's revenues and overall business.

Student Performance

The success of the Company's business depends on its ability to deliver a satisfactory learning experience and improved academic results. The Company's product and services, including the Cloud Nine ESL Program, may fail to improve some students' academic performance and some students may perform below expectations even after completing the Company's courses. As a result, student and parent satisfaction with the Company could decline. If a significant number of students fail to improve their academic performance after attending the Company's courses or find the learning experience to be unsatisfactory, then students may decide to withdraw from the Company's courses and request refunds. Student dissatisfaction may adversely impact the Company's business, financial condition, results of operations and reputation.

Uninsured or Uninsurable Risk

The Company may become subject to liability for risks against which are uninsurable or against which the Company may opt out of insuring due to the high cost of insurance premiums or other factors. The payment of any such liabilities would reduce the funds available for usual business activities. Payment of liabilities for which insurance is not carried may have a material adverse effect on the Company's financial position and operations.

Conflicts of Interest Risk

Certain of the Company's directors and officers are, and may continue to be, involved in other business ventures through their direct and indirect participation in corporations, partnerships, joint ventures, etc. that may become potential competitors to the Company. Situations may arise in connection with potential acquisitions or opportunities where the other interests of these directors and officers conflict with or diverge from the Company's interests. In accordance with the *BCA*, directors who have a material interest in any person who is a party to a material contract or a proposed material contract are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract. In addition, the directors and the officers are required to act honestly and in good faith with a view to the Company's best interests. However, in conflict of interest situations, directors and officers may owe the same duty to another company and will need to balance their competing interests with their duties to the Company. Circumstances (including with respect to future corporate opportunities) may arise that may be resolved in a manner that is unfavourable to the Company.

Intellectual Property

The ability of the Company to maintain or increase enrollment and sales will depend in part on its ability to maintain and grow its brand equity through the use of its registered domain names and trademarks. A loss of any of these may result in the Company's brand equity being diminished and thus a loss of potential customers. As protection, the Company requires its employees and independent contractors to enter into confidentiality agreements, however it cannot be assured that the obligations therein will be maintained and honoured. In spite of confidentiality agreements and other methods of protecting trade secrets, the Company's proprietary information could become known to or independently developed by competitors.

Further, the Company's competitors have been granted patents protecting various product features, including systems, methods and designs. If the Company's products employ these processes, or other subject matter that is claimed under its competitors' patents, or if other companies obtain patents claiming subject matter that the Company uses, those companies may bring infringement actions against us. Whether a product infringes a patent involves complex legal and factual issues, the determination of which is often uncertain. In addition, because patent applications can take many years to issue, there may be applications now pending of which the Company is unaware, which might later result in issued patents that the Company's products may infringe. If any of the Company's products infringes a valid patent, it could be prevented from distributing that particular product, unless and until it can obtain a license or redesign the product in question to avoid infringement. A license may not be available or may require us to pay substantial royalties. Additionally, the Company may not be successful in any attempt to redesign the infringing product. Infringement and other intellectual property claims, with or without merit, can be expensive and time-consuming to litigate, and the Company may not have the financial and human resources to defend ourselves against any infringement suits that may be brought against us.

Moreover, due to the differences in foreign patent, trademark, trade dress, copyright and other laws concerning proprietary rights, the Company's intellectual property may not receive the same degree of protection in foreign countries as it would in Canada or the United States. The Company's failure to possess, obtain or maintain adequate protection of its intellectual property rights for any reason in these jurisdictions could have a material adverse effect on its business, results of operations and financial condition.

Attracting and Retaining Quality Employees

The Company's business is dependent upon attracting and retaining quality employees with the skills required particularly with respect to teaching. The inability of the Company to hire, train and retain employees may adversely affect operations and could have an adverse effect on sales. The Company's ability to meet its labour needs while controlling the costs associated with hiring and training new employees is subject to external factors such as unemployment levels, prevailing wage rates, government legislation and changing demographics. Changes that adversely impact the Company's ability to attract and retain quality employees could adversely affect its business.

Key Personnel Risk

The Company's success will depend on its directors and officers to develop the business and manage operations and on their ability to attract and retain key technical, sales and marketing staff or consultants once operations begin. The loss of any key person or the inability to find and retain new key persons could have a material adverse effect on the business. Competition for qualified technical, sales and marketing staff, as well as officers and directors can be intense and no assurance can be provided that the Company will be able to attract or retain key personnel in the future which may adversely impact operations.

Management of Growth

The Company's management anticipates rapid growth and plans to capitalize on this growth. Future operating results will depend on management's ability to manage this anticipated growth, hire and retain qualified employees, properly generate revenues and control expenses. A decline in the growth rate of revenues without a corresponding reduction in the growth rate of expenses could have a material adverse effect on the Company’s business, results of operations, cash flows and financial condition.

Product & Services Development

The Company may not be able to improve the content of existing courses or develop new courses or services in a timely or cost-effective manner. The Company is constantly updating and improving the content of its existing courses and developing new courses or services to meet changing market demands. Revisions to existing courses and newly developed courses or services may not be well received by existing or prospective students or their institutions. Furthermore, offering new courses or services or modifying existing courses may require the Company to invest in content development, increase marketing efforts and re-allocate resources away from other uses. Even if the Company’s new courses or services are well received, the Company could suffer adverse results if these new courses and services are not offered to students in a timely or cost-effective manner. If the Company do not respond adequately to changes in market demands, then the Company’s ability to attract and retain students may be impaired and financial results could suffer.

Expansion Rate

In order for the Company to improve its operating results and continue to grow its business, it is important for the Company to continue to attract new customers and expand the Cloud Nine ESL Program for its existing and future customer base. To the extent the Company is successful in increasing its customer base, it could incur increased losses because the costs associated with attracting new customers are generally incurred up front, while revenue is recognized rateably over the term of a contract for services. Alternatively, to the extent the Company is unsuccessful in increasing its customer base, the Company could also incur increased losses as the costs associated with marketing programs and new products intended to attract new customers would not be offset by incremental revenue and cash flow. Furthermore, if the Company’s customers do not expand on the development of new products and services, the Company’s revenue may grow more slowly than the Company expects. All of these factors could negatively impact the Company’s future revenue and operating results.

Quarterly Operating Results

The Company’s quarterly operating results, including its levels of revenue, gross margin, profitability, cash flow and deferred revenue, may vary significantly in the future, and period-to-period comparisons of its operating results may not be meaningful. Accordingly, the results of any one quarter should not be relied upon as an indication of future performance. The Company’s quarterly financial results may fluctuate as a result of a variety of factors, many of which are outside of the Company’s control and, as a result, may not fully reflect the underlying performance of the Company’s business. Fluctuations in quarterly results may negatively impact the value of the Company’s securities. Factors that may cause fluctuations in the Company’s quarterly financial results include, but are not limited to:

- the ability to attract new customers;
- retention rates;
- the timing of recognition of revenue;
- the amount and timing of operating expenses related to the maintenance and expansion of the Company’s business, operations and infrastructure;
- general economic, industry, and market conditions;
- increases or decreases in the number of features in the Company’s services or pricing changes upon any renewals of customer agreements;
- changes in the Company’s pricing policies or those of the Company’s competitors;
- seasonal variations in sales of the Company’s services; and
- the timing and success of new services and service introductions by the Company and its competitors or any other change in the competitive dynamics of the Company’s industry, including consolidation among competitors, customers, or strategic partners.

Confidentiality Risk

Personal information collected by the Company in the ordinary course of business may be vulnerable to breach, theft or loss. This could subject the Company to liability or negatively impact the Company's reputation and operations. The Company collects, uses and retains large amounts of personal information from its student base, including personal and financial data. The Company also collects and maintains personal information of its employees. Although the Company uses security controls to limit access and use of personal information, a third party or internal errors within the Company may circumvent these controls, which could result in a breach of student or employee privacy. A violation of any laws or regulations relating to the collection or use of personal information could result in the Company incurring fines. While the Company believes it takes appropriate precautions and safety measures, there is still a possibility that a breach, theft or loss of personal information may occur. Any breach, theft or loss of such personal information could negatively impact the Company's financial condition, reputation, and may result in the Company incurring liability.

PROMOTERS

Michael Hunter and Brian Gusko are each considered to be "promoters" of the Company as that term is defined in the *Securities Act* (British Columbia).

Michael Hunter received compensation from the Company, as described in this Prospectus. Brian Gusko has not received compensation from the Company.

Michael Hunter

Michael Hunter is a director, President and CEO of both the Company and Cloud Nine College and a Director of BHR. As a result of a Share Exchange Agreement entered into on February 6, 2015 between Cloud Nine College and BHR, and amended on March 11, 2015 and April 16, 2015, Mr. Hunter received 7,000,360 common shares of BHR at a deemed value of $0.10 per share which were then exchanged for Shares in the Company upon closing of the Arrangement. Further, Mr. Hunter receives an annual salary of $120,000 gross paid on a semi-monthly basis from Cloud Nine College. On April 2, 2015, the Company granted Mr. Hunter 400,000 options in his capacity as CEO, exercisable at $0.10 with an expiration date of April 22, 2020.

Brian Gusko

Brian Gusko is a director of the Company and BHR and was instrumental in the development of the Company. Mr. Gusko held 935,000 Shares in BHR, which were then exchanged for Shares in the Company upon closing of the Arrangement, and also holds 100,000 warrants exercisable at $0.10 per Share for a period of 12 months as described elsewhere in this Prospectus. On November 23, 2015, Mr. Gusko transferred 250,000 Shares to an unrelated third party, leaving him with a balance of 685,000 Shares.

In September, 2015, Brian Gusko joined the board of directors of First Choice Products Inc. (CSE:FCI) ("**FCI**") and stepped in as interim CFO after FCI had already been halted for over one year due to failure to file audited financials. Mr. Gusko's joining of the board of directors and acting as interim CFO of FCI when the company was already cease traded was part of an initiative to conduct due diligence, gain control of the finances, and seek refinancing options for FCI. After two months of Mr. Gusko being on the board of directors and as CFO, it was decided that refinancing of FCI would be challenging. Mr. Gusko subsequently stepped down from FCI's board of directors and resigned as CFO in November, 2015.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Legal Proceedings

There are no legal proceedings outstanding, threatened or pending as of the date of this Prospectus by or against the Company or to which it is a party or its business or any of its assets is the subject of, nor to the knowledge of the directors and officers of the Company are any such legal proceedings contemplated which could become material to a purchaser of the Company's securities.

Regulatory Actions

There have not been any penalties or sanctions imposed against the Company by a court relating to provincial or territorial securities legislation or by a securities regulatory authority, nor have there been any other penalties or sanctions imposed by a court or regulatory body against the Company, and the Company has not entered into any settlement agreements before a court relating to provincial or territorial securities legislation or with a securities regulatory authority.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as disclosed below and elsewhere in this Prospectus, no director, executive officer or principal shareholder of the Company, or associate or affiliate of any of the foregoing, has had any material interest, direct or indirect, in any transaction within the preceding three years or in any proposed transaction that has materially affected or will materially affect the Company.

See "*Description of the Business*", "*Escrowed Securities and Securities Subject to Contractual Restriction on Transfer*", "*Principal Shareholders*", "*Directors and Executive Officers*" and "*Material Contracts*".

AUDITORS, TRANSFER AGENT AND REGISTRARS

The Company's auditor is Morgan & Company LLP, of 1630 – 609 Granville Street, Vancouver BC V7Y 1A1.

The transfer agent appointed by the Company to maintain the securities register and register of transfers for the Shares is Computershare Investor Services Inc., of 510 Burrard Street, 2nd Floor, Vancouver, BC V6C 3B9.

MATERIAL CONTRACTS

The material contracts of the Company, excluding those made in the ordinary course of its business, since are as follows:

Name of Contract	Parties	Date	Nature of Contract and Consideration
ILI/EC Acquisition Agreement	Cloud Nine College (formerly, Anterior Education Systems Ltd.), as purchaser, and the former shareholders of ILI and EC, as vendor	September 27, 2014	Agreement for the acquisition of 100% of issued and outstanding shares of ILI and EC
Short Form Asset Purchase Agreement	CET Educational Travel Canada Limited and Cloud Nine College (formerly, Anterior Education Systems Ltd.)	December 19, 2014	Agreement for the acquisition of portion of assets of CET Vancouver
Share Exchange Agreement	Cloud Nine College, BHR, and the shareholders of Cloud Nine College	February 6, 2015 as amended March 11, 2015 and April 16, 2015	Setting out the terms for the purchase of Cloud Nine College; consideration of 12,844,110 common shares in BHR with a deemed value of $0.10 per share
Arrangement Agreement	The Company, PlanCo and BHR	April 14, 2015	Setting out the terms of the Arrangement

Name of Contract	Parties	Date	Nature of Contract and Consideration
ILI Sale Agreement	Cloud Nine College, as vendor, an unrelated third party, as purchaser, EC and ILI	October 23, 2015	Setting out the terms for the sale by Cloud Nine College of 100% of the issued and outstanding shares of ILI
Escrow Agreement	Certain shareholders, Trustco, and the Company (see "*Escrowed Securities and Securities subject to Contractual Restriction on Transfer*")	January 21, 2016	Sets out the release schedule for certain escrowed Shares of the Company
Agency Agreement	The Company and the Agent	July ●, 2016	Sets out the terms under which the Agent agreed to sell on an agency basis the Units offered hereby

Copies of the material contracts will be available under the Company's profile at www.sedar.com upon the issuance of the final receipt for this Prospectus.

EXPERTS

No person whose profession or business gives authority to a statement made by such person and who is named in this Prospectus has received or will receive a direct or indirect interest in the Company's property or any associate or affiliate of the Company. As at the date hereof, none of the aforementioned persons beneficially owns, directly or indirectly, securities of the Company or its associates and affiliates. In addition, none of the aforementioned persons nor any director, officer or employee of any of the aforementioned persons, is or is expected to be elected, appointed or employed as, a director, senior officer or employee of the Company or of an associate or affiliate of the Company, or as a promoter of the Company or an associate or affiliate of the Company.

The Company's auditor, Morgan & Company LLP, is independent in accordance with the auditor's rules of professional conduct in the Province of British Columbia.

FINANCIAL STATEMENT DISCLOSURE

The following Financial Statements and MD&A are included as schedules to this Prospectus as follows:

- **Schedule A:** reviewed unaudited interim financial statements of the Company for the period ended March 31, 2016;
- **Schedule B:** the Company's Management's Discussion and Analysis for the period ended March 31, 2016;
- **Schedule C:** audited consolidated annual financial statements of the Company for the financial year ended September 30, 2015;
- **Schedule D:** the Company's Management's Discussion and Analysis for the financial year ended September 30, 2015;
- **Schedule E:** reviewed unaudited annual financial statements of EC for the financial year ended September 30, 2014 and reviewed balance sheet of EC for the financial year ended September 30, 2013; and
- **Schedule F:** audited annual financial statements of BHR from December 3, 2014 (date of incorporation) to March 31, 2015.

See also "*Management's Discussion and Analysis*".

RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

SCHEDULE A

Interim Financial Statements of the Company for the Period Ended March 31, 2016

[see attached]

CLOUD NINE EDUCATION GROUP LTD.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended March 31, 2016 and 2015

(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

CLOUD NINE EDUCATION GROUP LTD.
Interim Consolidated Statements of Financial Position
(Expressed in Canadian dollars)
(Unaudited – Prepared by Management)

		March 31, 2016		September 30, 2015 (Audited)
ASSETS				
Current				
Cash	**$**	**19,302**	$	12,873
Available-for-sale investments		**1**		1
Accounts receivable		**182,301**		109,068
Prepaid expenses		**71,542**		94,864
Inventory		**4,817**		3,915
		277,963		220,721
Non-current assets				
Bond deposit (Note 3)		**27,649**		27,611
Property and equipment (Note 4)		**9,788**		11,588
Intangible assets (Note 5)		**247,524**		413,711
Assets classified as held for sale		**-**		114,970
		284,961		567,880
TOTAL ASSETS	**$**	**562,924**	$	788,601
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	**$**	**166,395**	$	188,353
Deferred revenue		**209,492**		107,148
Loans payable (Notes 6)		**167,223**		177,663
		543,110		473,164
Non-current liabilities				
Long-term liabilities (Note 7)		**196,245**		196,245
Liabilities classified as held for sale		**-**		180,852
		196,245		377,097
TOTAL LIABILITIES		**739,355**		850,261
SHAREHOLDERS' DEFICIENCY				
Share capital (Note 8)		**552,618**		2
Reserves		**1,445,529**		1,441,145
Subscriptions received (Note 8)		**15,000**		100,000
Deficit		**(2,189,578)**		(1,602,807)
TOTAL SHAREHOLDERS' DEFICIENCY		**(176,431)**		(61,660)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY	**$**	**562,924**	$	788,601

Going concern (Note 1)

These interim consolidated financial statements were authorized for issuance by the Board of Directors on May 25, 2016. They are signed on behalf of the Board of Directors by:

"Michael Hunter" (Signed)	*"Dalton Larson" (Signed)*
Director	Director

The accompanying notes are an integral part of these interim consolidated financial statements.

CLOUD NINE EDUCATION GROUP LTD.
Interim Consolidated Statements of Operations and Comprehensive Loss
(Expressed in Canadian dollars)
(Unaudited - Prepared by Management)

	Three months ended March 31, 2016	Three months ended March 31, 2015	**Six months ended March 31, 2016**	Six months ended March 31, 2015
Revenue				
Tuition fees	**$ 180,845**	$ 101,027	**$ 389,237**	$ 101,027
Testing and other income	**34,912**	341,007	**66,557**	406,117
	215,757	442,034	**455,794**	507,144
Direct costs (Note 13)	**(220,746)**	(473,374)	**(458,860)**	(537,418)
	(4,989)	(31,340)	**(3,066)**	(30,274)
Expenses				
Consulting fees	**-**	14,858	**-**	19,331
Depreciation	**1,200**	-	**1,800**	-
Exchange and other filing fees	**8,380**	-	**8,380**	-
Insurance	**566**	2,368	**5,712**	2,368
Marketing and advertising	**6,107**	17,985	**23,577**	17,985
Office and administration	**13,593**	15,592	**31,924**	16,142
Professional fees	**41,576**	-	**78,999**	11,125
Salaries and benefits	**123,996**	72,663	**213,222**	72,663
	195,418	123,466	**363,614**	139,614
Loss before other expenses	**(200,407)**	(154,806)	**(366,680)**	(169,888)
Other expenses				
Impairment of intangible assets (Note 5)	**-**	-	**(136,273)**	-
Interest expense	**(230)**	-	**(21,061)**	-
Loss from continuing operations	**(200,637)**	(154,806)	**(524,014)**	(169,888)
Loss from discontinued operations (Note 14)	**-**	(164,627)	**(62,757)**	(334,806)
Net loss and comprehensive loss for the period	**$ (200,637)**	$ (319,433)	**$ (586,771)**	$ (504,694)
Basic and diluted loss per share – continuing operations	**$ (0.01)**	$ (0.02)	**$ (0.02)**	$ (0.02)
Basic and diluted loss per share – discontinued operations	**$ (0.00)**	$ (0.02)	**$ (0.00)**	$ (0.04)
Weighted average number of shares outstanding	**29,447,672**	10,182,652	**28,945,822**	8,053,485

The accompanying notes are an integral part of these interim consolidated financial statements.

CLOUD NINE EDUCATION GROUP LTD.
Interim Consolidated Statements of Changes in Deficiency
(Expressed in Canadian dollars)
(Unaudited - Prepared by Management)

	Share capital			Subscriptions		
	Number	**Amount**	**Reserves**	**received**	**Deficit**	**Total**
Balance at September 30, 2014	–	$ –	$ 153,245	$ –	$ (31,519)	$ 121,726
Net loss for the period	–	–	–	–	(172,617)	(172,617)
Balance at December 31, 2014	–	–	153,245	–	(204,136)	(50,891)
Net loss for the period	–	–	–	–	(319,433)	(319,433)
Balance at March 31, 2015	–	$ –	$ 153,245	$ –	$ (523,569)	$ (370,324)
Balance at September 30, 2015 (Audited)	27,209,210	$ 2	$ 1,441,145	$ 100,000	$ (1,602,807)	$ (61,660)
Units issued for cash	2,100,000	500,000	–	(100,000)	–	400,000
Fair value of agent's warrants	–	(4,384)	4,384	–	–	–
Share issuance costs	–	(12,000)	–	–	–	(12,000)
Subscriptions received	–	–	–	15,000	–	15,000
Net loss for the period	–	–	–	–	(386,134)	(386,134)
Balance at December 31, 2015	29,309,210	483,618	1,445,529	15,000	(1,988,941)	(44,794)
Units issued for cash	300,000	75,000	–	–	–	75,000
Share issuance costs	–	(6,000)	–	–	–	(6,000)
Net loss for the period	–	–	–	–	(200,637)	(200,637)
Balance at March 31, 2016	**29,609,210**	**$ 552,618**	**$ 1,445,529**	**$ 15,000**	**$ (2,189,578)**	**$ (176,431)**

The accompanying notes are an integral part of these interim consolidated financial statements.

CLOUD NINE EDUCATION GROUP LTD.
Interim Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)
(Unaudited - Prepared by Management)

	Six months ended March 31, 2016	Six months ended March 31, 2015
Cash flows from operating activities		
Net loss for the period	**$ (586,771)**	$ (504,694)
Items not affecting cash:		
Depreciation	**1,800**	6,924
Impairment of intangible assets	**136,273**	-
Accrued interest	**1,101**	-
Changes in non-cash working capital items:		
Accounts receivable	**(73,234)**	(6,440)
Prepaid expenses	**23,322**	31,557
Inventory	**(902)**	2,712
Accounts payable and accrued liabilities	**(27,500)**	185,950
Deferred revenue	**105,592**	23,429
	(420,319)	(260,562)
Cash flows from investing activities		
Purchase of property and equipment	**-**	(26,377)
Digital curriculum development costs	**(33,813)**	-
Proceeds from disposal of subsidiary	**102**	
	(33,711)	(26,377)
Cash flows from financing activities		
Proceeds from issuance of units - net	**457,000**	85,000
Proceeds from share subscriptions	**15,000**	-
(Repayment of) proceeds from loans payable	**(11,541)**	231,500
	460,459	316,500
Increase in cash	**6,429**	29,561
Cash, beginning of period	**12,873**	32,311
Cash, end of period	**$ 19,302**	$ 61,872
Supplemental cash flow information		
Cash paid for interest	**$ –**	$ –
Cash paid for taxes	**$ –**	$ –

The accompanying notes are an integral part of these interim consolidated financial statements.

1. GENERAL INFORMATION AND GOING CONCERN

a) Description of the business

Cloud Nine Education Group Ltd. (the "Company") was incorporated in the Province of British Columbia on April 14, 2015, under the Business Corporations Act of British Columbia. Effective March 30, 2016, the Company changed its name from Anterior Education Holdings Ltd. to Cloud Nine Education Group Ltd. The Company's principal business focuses on Canadian English as a Second Language ("ESL") education and licensing of its digital curriculum called the ILI Cloud Curriculum to ESL providers including independent schools, universities and high schools. 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 wholly-owned subsidiaries of the Company. As the Plan of Arrangement was deemed to be a recapitalization of BHR, these financial statements are presented as a continuation of BHR, in which its assets and liabilities and operations are included in the consolidated financial statements at their historical carrying value. The Company's registered office is at Suite 900, 549 Howe Street, Vancouver, British Columbia, V6C 2C2.

b) Going concern

The Company has incurred a net loss of $586,771 (2015 - $504,694) during the six months ended March 31, 2016. As at March 31, 2016, the Company had a negative working capital of $265,147 (September 30, 2015 - $252,443) and an accumulated deficit of $2,189,578 (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 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 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.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

These interim consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting*. The interim consolidated financial statements do not include all disclosures required by International Financial Reporting Standards ("IFRS") for annual consolidated financial statements and accordingly, should be read in conjunction with the Company's annual financial statements for the year ended September 30, 2015, which have been prepared in accordance with IFRS.

These interim consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments, which are measured at fair value. In addition, these interim consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The presentation and functional currency of the Company is the Canadian dollar.

In the opinion of the Company's management, all adjustments considered necessary for a fair presentation have been included.

(Expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Basis of consolidation

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

BHR Capital Corp. ("BHR")	Wholly-owned subsidiary of the Company
Cloud Nine College Ltd. ("CNC")	Wholly-owned subsidiary of BHR
English Canada World Organization Inc. ("EC")	Wholly-owned subsidiary of CNC

The interim consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All significant intercompany transactions and balances are eliminated on consolidation.

c) Use of judgments and estimates

The preparation of financial statements in conformity with International Financial Reporting Standards ("IFRS") requires management to make estimates, assumptions and judgments that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from management's best estimates as additional information becomes available in the future.

Significant areas requiring the use of estimates include the useful life and depreciation of property and equipment, carrying value of intangible assets, measurement of share-based payments, and deferred income tax asset valuation allowances. Judgements made by management in the application of IFRS that have a significant effect on the financial statements include the factors supporting the capitalization and recoverability of property and equipment, intangible assets, and inputs into the calculation of the fair value of share-based payments.

d) New standards and interpretations

Certain pronouncements have been issued by the IASB, or the IFRS Interpretations Committee that are mandatory for accounting years beginning on or after January 1, 2017 or later years.

- New standard IFRS 9, "*Financial Instruments*"
- New standard IFRS 15 "*Revenue from Contracts with Customers"*

The Company has not early adopted these revised standards and is currently assessing the impact that these standards will have on the consolidated financial statements. Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

3. BOND DEPOSIT

As at March 31, 2016, the Company has a bond held at the Canadian Imperial Bank of Commerce as a letter of credit for the beneficiary of the Minister of Finance for the Province of Nova Scotia on behalf of the Private Career Colleges Division in the amount of $27,649 (September 30, 2015 - $27,611), which includes accrued interest of $49 (September 30, 2015 - $11). The bond bears interest at 0.55% per annum and matures on September 6, 2016.

(Expressed in Canadian dollars)

4. PROPERTY AND EQUIPMENT

Cost		**Leasehold improvements**
Balance, September 30, 2015 and March 31, 2016	**$**	**12,788**

Accumulated depreciation		**Leasehold improvements**
Balance, September 30, 2015	$	1,200
Depreciation		1,800
Balance, March 31, 2016	**$**	**3,000**

Net carrying amounts		**Leasehold improvements**
Balance, September 30, 2015	$	11,588
Balance, March 31, 2016	**$**	**9,788**

5. INTANGIBLE ASSETS

The changes in the carrying amount of intangible assets are shown below:

		Curriculum		**Trade name**		**Total**
Balance, September 30, 2015	$	213,711	$	200,000	$	413,711
Additions		33,813		-		33,813
Impairment		-		(200,000)		(200,000)
Balance, March 31, 2016	**$**	**247,524**	**$**	**-**		**$247,524**

As at March 31, 2016 and September 30, 2015, the Company's curriculum is still in the development stage and will not be depreciated until the curriculum is in full use.

In January 2016, the Company's subsidiary, Anterior Education Systems Ltd., which was operating under the name "ILI Vancouver", changed its name to Cloud Nine College Ltd. and therefore, the Company recognized an impairment of $200,000 on the trade name. This impairment loss was offset by the gain on disposal of subsidiary, "International Language Institute Ltd.", in the amount of $63,727 since the Company was no longer using the trade name "ILI".

6. RELATED PARTY TRANSACTIONS

a) At March 31, 2016, the Company was indebted to the Chief Executive Officer ("CEO") of the Company for $Nil (September 30, 2015 - $21,500), which is non-interest bearing, unsecured and due on demand.

b) At March 31, 2016, 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. On November 3, 2015, the Company entered into an agreement to extend the maturity date to December 1, 2016 for a one-time interest charge of $20,000.

c) At March 31, 2016, the Company was indebted to a director of the Company for $26,000 (September 30, 2015 - $26,000), pursuant to a promissory note dated August 12, 2015. The amount is unsecured, and was due on September 12, 2015. Pursuant to the promissory note, a one-time interest 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 March 31, 2016, the Company recognized accrued interest of $1,223 (September 30, 2015 - $163).

d) At March 31, 2016, the Company was indebted to a shareholder of the Company for $40,000 (September 30, 2015 - $Nil), pursuant to a promissory note dated March 29, 2016. The amount is unsecured. Pursuant to the promissory note, interest of 1% compounded monthly is due on the outstanding principal within 30 days of the end of each calendar month during which is accrued. Interest will increase to 2% per month after 90 days from March 29, 2016. As at March 31, 2016, the Company recognized accrued interest of $Nil.

e) During the six months ended March 31, 2016, the Company paid salaries and benefits of $60,000 (2015 - $15,000) to the CEO of the Company, and $45,000 (2015 - $10,500) to the Chief Financial Officer ("CFO") of the Company.

7. LONG-TERM LIABILITIES

The Company is in dispute with the British Council as a result of loss of business opportunity and related revenues after the sale of the Company's domain IELTS.ca to the British Council. The Company is currently reviewing legal advice regarding how much monetary compensation the Company should be seeking to meet the requirement of sufficient remedy. In the interim, management is of the opinion that any liability which may exist should be classified as long-term due to the British Council's failure to meet the terms and conditions associated with their acquisition of the IELTS.ca domain from the Company. As at March 31, 2016, $196,245 (September 30, 2015 - $196,245) were owing to the British Council and the Company does not intend to pay the amounts owing in the next 12 months until the dispute is settled.

8. SHARE CAPITAL

A. Authorized

Unlimited number of common shares without par value.

B. Issued and outstanding

a) On October 1, 2015, the Company issued 500,000 units at $0.25 per unit for proceeds of $125,000. Each unit includes one common share and one share purchase warrant exercisable at $0.50 per share for a term of 18 months. In connection with the issuance, the Company paid share issuance costs of $10,000 and issued 40,000 agent's warrants exercisable at $0.50 per share for a term of 18 months.

b) On October 16, 2015, the Company issued 100,000 units at $0.25 per unit for proceeds of $25,000. Each unit includes one common share and one share purchase warrant exercisable at $0.50 per share for a term of 18 months. In connection with the issuance, the Company paid share issuance costs of $2,000 and issued 8,000 agent's warrants exercisable at $0.50 per share for a term of 18 months.

(Expressed in Canadian dollars)

8. SHARE CAPITAL (continued)

B. Issued and outstanding (continued)

c) On November 19, 2015, the Company issued 1,000,000 units at $0.25 per unit for proceeds of $250,000. Each unit includes one common share and one share purchase warrant exercisable at $0.50 per share for a term of 18 months.

d) On November 23, 2015, the Company issued 500,000 units at $0.20 per unit for proceeds of $100,000. Each unit includes one common share and one share purchase warrant exercisable at $0.40 per share for a term of 2 years.

e) On February 18, 2016, the Company issued 300,000 units at $0.25 per unit for proceeds of $75,000. Each unit includes one common share and one share purchase warrant exercisable at $0.50 per share for a period of 18 months. In connection with the issuance, the Company paid share issuance costs of $6,000 and issued 24,000 agent's warrants exercisable at $0.50 per share for a term of 18 months.

f) At March 31, 2016, the Company received share subscriptions of $15,000, pursuant to the issuance of 60,000 common shares at $0.25 per share.

9. SHARE PURCHASE WARRANTS

The following table summarizes information about the warrants issued for the six months ended March 31, 2016:

	Number of warrants	Weighted average exercise price
Outstanding, September 30, 2015	4,408,730	$ 0.16
Issued	2,472,000	$ 0.48
Outstanding, March 31, 2016	**6,880,730**	**$ 0.26**

The following table summarizes information about warrants outstanding as at March 31, 2016:

Exercise Price	Expiry date	Warrants outstanding
$ 0.10	February 25, 2016	1,075,000
$ 0.10	March 6, 2016	625,000
$ 0.10	April 15, 2016	525,000
$ 0.10	April 17, 2016	375,000
$ 0.25	April 22, 2017	736,600
$ 0.25	May 1, 2017	1,072,130
$ 0.50	April 1, 2017	540,000
$ 0.50	April 16, 2017	108,000
$ 0.50	May 19, 2017	1,000,000
$ 0.40	November 23, 2017	500,000
$ 0.50	August 19, 2017	324,000
	Total	6,880,730

(Expressed in Canadian dollars)

10. STOCK OPTIONS

The Company has adopted a stock option plan pursuant to which options may be granted to directors, officers, employees and consultants of the Company to a maximum of 10% of the issued and outstanding common shares and no one person may receive in excess of 5% of the outstanding common shares of the Company. The exercise price of each option is set by the Board of Directors at the time of grant but cannot be less than $0.10 per share or the market price (less permissible discounts) on a Canadian Stock Exchange. Options can have a maximum term of five years. Vesting of options is at the discretion of the Board of Directors at the time the options are granted.

The following table summarizes the continuity of the Company's stock options:

	Number of stock options	Weighted average exercise price
Outstanding, September 30, 2015	1,200,000	$ 0.10
Options expired	(267,500)	0.10
Outstanding, March 31, 2016	**932,500**	**$ 0.10**

Additional information regarding stock options outstanding as at March 31, 2016, is as follows:

Outstanding			Exercisable	
Number of stock options	Weighted average remaining contractual life (years)	Weighted average exercise price $	Number of stock options	Weighted average exercise price $
932,500	4.0	$ 0.10	932,500	$ 0.10

11. RISK MANAGEMENT

i) Risk management overview

The Company's activities are exposed to a variety of financial risks such as credit risk, liquidity risk, and market risk. This section contains information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. The Company employs risk management strategies and policies to ensure that any exposures to risk are in compliance with the Company's business objectives and risk tolerance levels.

ii) Fair value of financial instruments

The fair values of cash, available-for-sale investments, accounts receivable, accounts payables and accrued liabilities, and loans payable approximate their carrying values due to the short term maturity of those instruments. The fair value of the bond deposit approximates its carrying value as it bears interest at market floating rates or fixed rates consistent with market rates for similar instruments.

11. RISK MANAGEMENT (continued)

ii) Fair value of financial instruments (continued)

The significance of inputs used in making fair value measurements are examined and classified according to a fair value hierarchy. Fair values of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly, and are based on valuation models and techniques where the inputs are derived from quoted indices. Level 3 valuations are based on inputs that are unobservable and significant to the overall fair value measurement.

iii) Credit risk

Credit risk is the risk of an unexpected loss if a third party to a financial instrument fails to meet its contractual obligations. The Company’s exposure to credit risk includes cash, and accounts receivables. The Company’s maximum exposure to credit risk is equal to the carrying value of the financial assets. The Company reduces its credit risk by: maintaining its bank accounts at large financial institutions, and monitoring accounts receivables. The Company has no past due or impaired receivables.

iv) Liquidity risk

Liquidity risk is the risk of the Company’s inability to meet its financial obligations as they come due. As at March 31, 2016, the Company had negative working capital of $265,147 (September 30, 2015 - $252,443). The Company is focused on generating more revenue and is actively pursuing additional sources of financing to ensure that it can meet its on-going operating requirements and planned capital expenditures. The Company has no current commitments for capital expenditures as of the date hereof. There is no assurance that the Company will be successful in these initiatives.

v) Currency risk

The Company is not currently exposed to the financial risk related to the fluctuation of foreign exchange rates.

vi) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments. It arises when the Company invests in interest bearing financial instruments. As at March 31, 2016, the Company did not have any financial instruments subject to significant interest rate risk.

vii) Capital management

The Company defines capital as share capital, reserves, subscriptions received and deficit. The Company’s objective is to ensure that capital resources are readily available to meet its approved capital expenditure program and to take advantage of attractive acquisition opportunities as they arise.

The Company sets its capital structure in proportion to risk. The Company continually monitors economic and general business conditions and makes adjustments accordingly to maintain or adjust the capital structure. For the capital structure, the Company may purchase and cancel shares pursuant to issuer bids or issue new shares. In order to maximize on-going development efforts, the Company does not pay out dividends.

(Expressed in Canadian dollars)

12. COMMITMENTS

As at March 31, 2016, the Company had one lease for school facilities, located in Vancouver.

The future minimum lease payments, including operating costs and taxes, as of March 31, 2016, under the Vancouver lease are:

2016	$ 67,008
2017	134,016
2018	11,168
	$ 212,192

13. DIRECT COSTS

	Six months ended March 31, 2016	Six months ended March 31, 2015
Salaries and benefits	**$ 117,537**	$ 253,351
Commission and promotion costs	**110,487**	31,630
IELTS testing fees	**-**	147,994
Other (a)	**157,756**	52,966
Occupancy costs (b)	**63,610**	34,828
Bank charges (b)	**9,470**	16,649
Total	**$ 458,860**	$ 537,418

(a) Other direct costs include student housing commissions, course material, activity and other direct miscellaneous items.
(b) Occupancy costs and banks charges were classified as general expenses in prior years.

14. ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

On October 30, 2015, the Company completed an agreement to sell all of the issued and outstanding securities of International Language Institute Ltd. ("ILI") to an arm's-length third party in consideration for $102.

Assets that are held for disposal are classified as discontinued operations and are valued at the lower of their carrying amounts and fair value less costs to sell. The Company presents assets and liabilities associated with assets held for sale separately from the Company's other assets and liabilities. A discontinued operation is a component of the Company that either has been disposed of, or is classified as held for sale. Net income (loss) of the discontinued operations with gain or loss recognized on disposal are combined and presented in the statement of comprehensive income (loss) and cash flows are to be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Company. The results of operations of ILI for all periods have been classified as discontinued operations.

At October 30, 2015, ILI had net liabilities of $63,625. During the six months ended March 31, 2016, the Company recognized a gain on disposal of subsidiary of $63,727, and the amount was netted against the impairment of intangible assets.

(Expressed in Canadian dollars)

14. ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS (continued)

International Language Institute Ltd.		**Three months ended March 31, 2016**	Three months ended March 31, 2015	**Six months ended March 31, 2016**	Six months ended March 31, 2015
Revenue	$	–	213,611	–	424,201
Direct costs		–	(127,968)	**(14,540)**	(246,648)
		–	85,643	**(14,540)**	177,553
Expenses					
Bank charges		–	6,922	**1,128**	12,990
Depreciation		–	3,462	–	6,924
Marketing and advertising		–	–	–	66,715
Occupancy costs		–	80,520	**8,935**	167,432
Office and administration		–	1,952	**213**	8,046
Salaries and benefits		–	157,414	**37,941**	250,252
		–	250,270	**48,217**	512,359
Net loss and comprehensive loss for the period	$	–	(164,627)	**(62,757)**	(334,806)

15. SUBSEQUENT EVENTS

a) On April 21, 2016, the Company signed a 10% secured convertible debenture agreement with a shareholder in the amount of $300,000. The Debenture is due six months from the date of issuance and is repayable in full with accrued interest at 10% per annum on maturity. The Holder may at any time during the term convert all or part of the Debenture into Units at a conversion price of $0.25 per Unit, where each Unit consists of one common share of the Company, and one-half common share purchase warrant, where each whole warrant gives the Holder the right to purchase one common share of the Company at $0.50 per share for 18 months.

SCHEDULE B

Management's Discussion and Analysis for the Period Ended March 31, 2016

[see attached]

CLOUD NINE EDUCATION GROUP LTD.

Management's Discussion and Analysis
For the Period Ended March 31, 2016
Prepared as of May 26, 2016

Contact Information
Cloud Nine Education Group Ltd. (the "Company")
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Vancouver, B.C. V6C 2C2

Telephone: (604) 669-2930

General

The following discussion and analysis, prepared as of May 26, 2016 should be read together with the condensed interim financial statements for the six months ended March 31, 2016 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

Cloud Nine Education Group Ltd. (the "Company") was incorporated in the Province of British Columbia on April 14, 2015, under the Business Corporations Act of British Columbia. Effective March 30, 2016, the Company changed its name from Anterior Education Holdings Ltd. to Cloud Nine Education Group Ltd. 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 ("Cloud Nine Program or Cloud Nine 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
Cloud Nine College Ltd. ("CNC") (formerly Anterior Educational Systems Ltd. ("AES"))	Wholly-owned subsidiary of BHR
English Canada World Organization Inc. ("EC")	Wholly-owned subsidiary of AES

Canadian ESL Market – Summary Overview

Within Canada, the education market 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 C9EG 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 C9EG 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 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 C9EG 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 loses leading to a vast erosion in shareholder valuation.

The management team at C9EG 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.

C9EG 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 C9EG 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 C9EG 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 C9EG 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 C9EG 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 (C9EG), its ESL asset in Vancouver (Cloud Nine College) and its ESL curriculum product.

The third objective, given the Company's finite resources and the current state of the ESL industry in Canada, is to divest C9EG 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.

The Company 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 C9EG 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 C9EG 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.

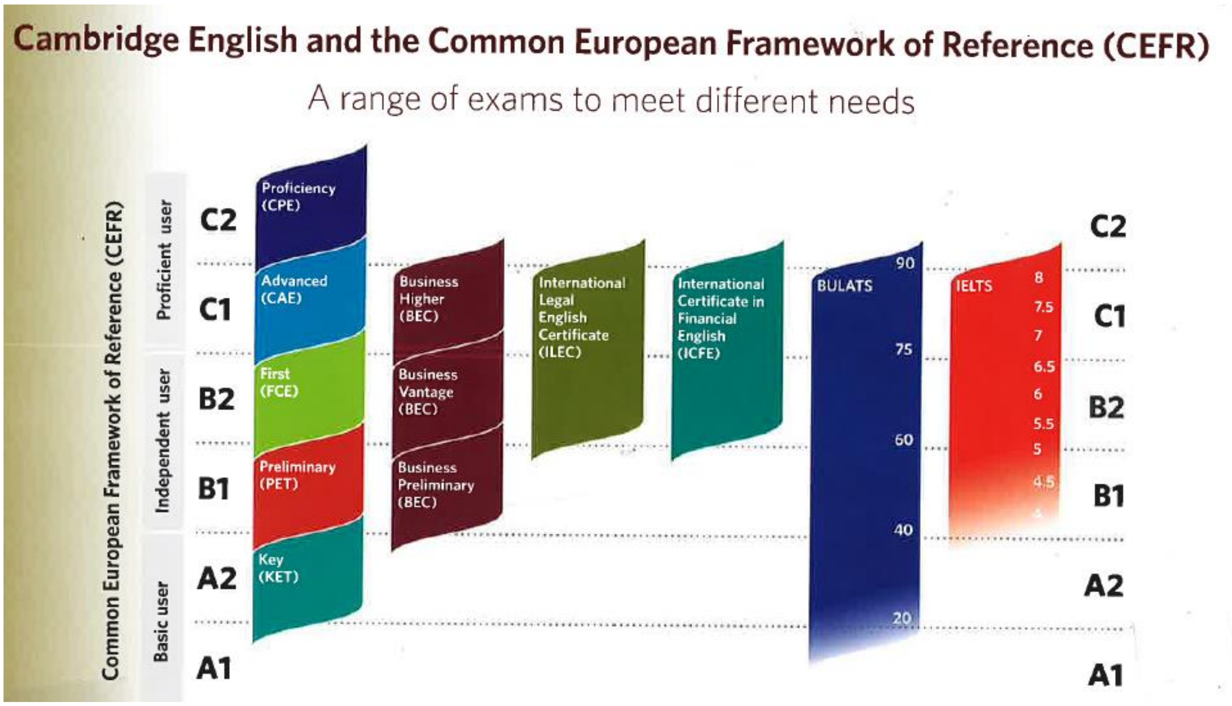
Setting aside the relatively modest revenues generated by its ESL school, Cloud Nine College does facilitate two important functions for the Company. First, the school provides a real life environment in which pedagogy and methodology for the C9 Program can be further developed and refined. Second, the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

With this understanding in place, C9EG 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 The Company was first incorporated and began actively developing the C9 Program as soon as it acquired the International Language Institute ("ILI") in September, 2014.

Cloud Nine ESL Program lessons are structured and developed using the internationally recognized Common European Frame of Reference (CEFR) as a guide. This 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.



Cloud Nine ESL Program materials are stored in a Google drive program designed for educators. Teachers are able to manage distribution of the lessons through a system very much like a simple email 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 from a single or multiple locations 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.

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 (280 million and 120 million people respectively), their low ESL proficiency, the general public's active interest in developing ESL skills and the positive response to the Cloud Nine ESL Program that the Company has received.

In order to achieve the best possible understanding of, and maximum penetration into these markets, C9EG will work with regional distributors. First because The Company 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.

Working in tandem with these distributors, C9EG 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.

Pilot Programs and Developing Sale

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 Cloud Nine ESL 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 and 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 Company's Pilot Programs are specifically designed to meet this criteria.

The Company's Pilot Programs also provide the Company's regional distributors with an effective marketing tool which has already led to direct sales of the Cloud Nine ESL 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 has completed its first pilot program in Brazil and already has another pilot scheduled to commence in October 2016. The second pilot project is at the Sao Paulo branch of Brazil wide chain of schools with a view to implementing the Cloud Nine ESL 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 distributor in Sao Paulo and Rio de Janeiro area estimates that they will secure more than 2,000 users before the end of 2016 and more than 3,500 (total) within the next 12 months.

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

Based on the success of its Mexican distributor over the past four months, the Company estimates that it will have Cloud Nine ESL Program sales exceeding 3,000 users before the end of 2016.

Curriculum Revenue

Revenues for the Cloud Nine EL Program are to be generated by charging students a licensing fee which replaces the text book fees currently being applied. These charges will vary depending on the country in which C9EG 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 C9EG 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 users 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 C9EG 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.

Cloud Nine EL Program Operational & Marketing Costs

The Company has reviewed the number of Cloud Nine ESL Program users required to ensure that the revenues generated by the curriculum 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 minimum 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 Cloud Nine ESL Program 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 Cloud Nine ESL Program in addition to marketing expenses for Cloud Nine College in Vancouver.

To meet its financial requirements, Company recently executed an engagement letter with Mackie Research Capital Corporation (MRCC) to sponsor the Company prospectus filing. Under the terms of the agreement MRCC will raise a minimum of $500,000 and a maximum of $1.5M which will close concurrent with the CSE listing.

Corporate Competition

Despite the increasing number of people around the world seeking to learn English each year, there are less than 20 curriculum developers who have positioned themselves to meet the needs of institutions and schools that offer ESL programs in the international marketplace. When one searches the internet for curriculum developers who offer ESL programs in a digital based format, there appears to be less than ten such providers.

The following chart illustrates how the Company compares with its Canadian and international counterparts. A review of the comparative analysis reveals that the Cloud Nine Education Group is the only ESL curriculum provider to develop their materials based on CEFR guidelines while also providing teacher training and certification to their clients.

	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 BasedDigital 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 Providied	√	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

Corporate Development Summary

With its low cost, digital based ESL curriculum that includes technological support and teacher certification in place, and with overseas distributors and initial sales already secured, Company management are of the view that the Company is well positioned to meet its development objectives and overcome any challenges which may arise.

Selected Financial Information

A summary of selected financial information for the period ended March 31, 2016 are as follows:

	Six months ended March 31, 2016	Six months ended March 31, 2015
Total assets	562,924	812,853
Intangible assets	247,524	250,000
Goodwill	-	290,575
Working capital (deficiency)	(265,147)	(541,800)
(Deficiency)/Equity	(176,431)	(127,927)
Revenue	455,794	507,144
(Loss)/Income before other expenses	(366,680)	(169,888)
(Loss)/Income from continuing operations	(524,014)	(169,888)
(Loss)/Income from discontinued operations	(62,757)	(334,806)

For the period ended March 31, 2016, the Company reported no changes in accounting policy and declared no cash dividends. As at March 31, 2016 the Company had cash of $19,302 and working capital deficiency of $265,147.

As at March 31, 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". This impairment loss was offset by the gain on disposal of subsidiary, "International Language Institute Ltd.", in the amount of $63,727 since the Company was no longer using the trade name "ILI".

As at March 31, 2016, 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.

	2nd Quarter	1st Quarter	4th Quarter	3rd Quarter
Three months ended	March 31, 2016	Dec 31, 2015	Sep 30, 2015	Jun 30, 2015
Tuition fees	180,845	208,392	222,569	262,172
Testing and other income	34,912	31,645	59,811	355,785
Direct costs	220,746	201,952	274,075	345,139
Expenses	195,418	204,358	291,592	541,848
Other expenses	230	157,104	296,709	10,000
Impairment of goodwill	-	136,273	290,575	-
Comprehensive loss	200,637	386,134	463,358	279,030
Loss from discontinued operations	-	62,757	-	-
Loss per share-basic and diluted	0.01	0.01	0.01	0.01

The results of the operations of ILI have been classified as discontinued operations. The loss related to ILI for the year ended is $62,757.

Other expenses include interest expense of $21,061 and impairment of intangible assets of $136,273.

In January 2016, the Company's subsidiary, Anterior Education Systems Ltd., which was operating under the name "ILI Vancouver", changed its name to Cloud Nine College Ltd. and therefore, the Company recognized an impairment of $200,000 on the trade name. This impairment loss was offset by the gain on disposal of subsidiary, "International Language Institute Ltd.", in the amount of $63,727 since the Company was no longer using the trade name "ILI".

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 March 31, 2016 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 six months ended March 31, 2016.

The Company's principal business is the continued development, marketing and sale of its dynamic, interactive and proprietary ESL curriculum that instructors will use in their classrooms to teach students aged 15 years and older. The curriculum replaces textbooks with tablets, while also replacing photocopying and paper documents with instructional videos and internet links. The curriculum is called the "Cloud Nine ESL Program".

The Cloud Nine ESL Program is a digitally based curriculum that is hosted in the cloud and delivered through the Company's own website by utilizing the Google Education platform provided at no cost to educators.

The Company's Vancouver campus operates a traditional ESL school but it is used mainly to test and refine its digital "Cloud Nine ESL Program".

The Company reported a net comprehensive loss of $586,771 for the six months ended March 31, 2016, compared to a net comprehensive loss of $504,694 for the six months ended March 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.

Total revenue for the three months ended March 31, 2016, was $215,757 compared to $442,034 for the same period in 2015. The Company did not yet generate any digital curriculum sales as of March 31st. In May 2016, the Company received gross revenues of $2,000 for subscriptions of 20 curriculum licenses in Mexico. As previously discussed, in July 2015, the Company closed its English Canada World Organization Inc. which provides IELTS testing services and this significantly reduced other income.

The following table shows the Company's revenue for the three months ended March 31, 2016, as compared to revenue for the three months ended March 31, 2015:

Revenue for the three months ended March 31,		2016	2015
Tuition fees	$	180,845	101,027
Curriculum sales		-	-
Other income		34,912	341,007
	$	215,757	442,034

Revenues from tuition fees are recognized on a straight-line basis over the period of instruction. Tuition fees invoiced in advance of course offerings are recorded as deferred revenue, and recognized in revenue over the period of instruction. Non-operating and other income such as internship fees and interest are recognized when earned. Other income is comprised of homestay service fees and dormitory fees, administrative fees for ancillary services such as airport transfer, accommodations, travel insurance, textbooks, other course material fees, and application fees.

All expenses increased for the six months ended in March 31, 2016 compared to the same period ended in December 31, 2015 since Cloud Nine College Ltd started operations in January 2015 and all of the results for International Language Institute Ltd. have been classified as discontinued operations as per note 14 in the notes to the financial statement as at March 31, 2016.

Direct costs were $220,746 for the three months ended March 31, 2016 compared to $473,374 for the three months ended March 31, 2015. Direct costs include expenses such as occupancy, teachers' salaries, agency commissions and other expenses that are directly related to revenues.

General and administrative expenses (G&A) were $195,418 for the three months ended March 31, 2016, compared to $123,466 for the same period in the prior year and the increase is attributed to various costs related to the Company's filing of its IPO and related fees for audit fees and legal. The exchange and filing fees in 2016 are for Sedar filing fees and for maintaining Company's shares with a stock transfer agency.

For the three Months Ended March 31, 2016 and 2015

General and administrative expenses	2016	2015
Consulting fees	-	14,858
Depreciation	1,200	-
Exchange and other filing fees	8,380	-
Insurance	566	2,368
Marketing and advertising	6,107	17,985
Office and administration	13,593	15,592
Professional fees	41,576	-
Salaries and benefits	123,996	72,663
	195,418	123,466

Liquidity and Capital Resources

As at March 31, 2016 the Company had cash of $19,302 and working capital deficiency of $265,147 and includes deferred revenue of $209,492.

For the six months ended March 31, 2016, the Company raised a total of $457,000 through the issuance of its common shares via non-brokered private placements and received $15,000 from share subscriptions where shares were issued after March 31, 2016.

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.

On April 21, 2016, the Company signed a 10% secured convertible debenture agreement with a shareholder in the amount of $300,000. The Debenture is due six months from the date of issuance and is repayable in full with accrued interest at 10% per annum on maturity and the Company has signed a General Security Agreement. The Holder may at any time during the term convert all or part of the Debenture into Units at a conversion price of $0.25 per Unit, where each Unit consists of one common share of the Company, and one-half common share purchase warrant, where each whole warrant gives the Holder the right to purchase one common share of the Company at $0.50 per share for 18 months.

Related Party Transactions

At March 31, 2016, the Company was indebted to the Chief Executive Officer ("CEO") of the Company for $nil (September 30, 2015 - $21,500).

At March 31, 2016, 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. On November 3, 2015, the Company entered into an agreement to extend the maturity date to December 1, 2016 for a one-time interest charge of $20,000.

At March 31, 2016, the Company was indebted to a director of the Company for $26,000 (September 30, 2015 - $26,000), pursuant to a promissory note dated August 12, 2015. The amount is unsecured, and was due on September 12, 2015. Pursuant to the promissory note, a one-time interest 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 March 31, 2016, the Company recognized accrued interest of $1,223 (September 30, 2015 - $163).

At March 31, 2016, the Company was indebted to a shareholder of the Company for $40,000 (September 30, 2015 - $nil), pursuant to a promissory note dated March 29, 2016. The amount is unsecured. Pursuant to the promissory note, interest of 1% compounded monthly is due on the outstanding principal within 30 days of the end of each calendar month during which is accrued. Interest will increase to 2% per month after 90 days from March 29, 2016. As at March 31, 2016, the Company recognized accrued interest of $nil.

During the six months ended March 31, 2016, the Company paid salaries and benefits of $60,000 (2015 - $15,000) to the CEO of the Company, and $45,000 (2015 - $10,500) to the Chief Financial Officer ("CFO") of the Company.

The Company did not incur any directors' fees in 2016.

Going concern

The Company has incurred a net loss in the period in the amount of $586,771. As at March 31, 2016, the Company had a negative working capital of $265,147 and an accumulated deficit of $2,189,578. The operating and cash flow results raise uncertainty about the ability of the Company to continue as a going concern.

On April 21, 2016, the Company signed a 10% secured convertible debenture agreement with a shareholder in the amount of $300,000. The Debenture is due six months from the date of issuance and is repayable in full with accrued interest at 10% per annum on maturity and the Company has signed a General Security Agreement. The Company has executed a General Security Agreement. The Holder may at any time during the term convert all or part of the Debenture into Units at a conversion price of $0.25 per Unit, where each Unit consists of one common share of the Company, and one-half common share purchase warrant, where each whole warrant gives the Holder the right to purchase one common share of the Company at $0.50 per share for 18 months.

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 $11,168/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 March 31, 2016, the Company had a cash balance of $19,302 to settle current liabilities of $166,395. 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 March 31, 2016.

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 March 31, 2016. The Company is not subject to externally imposed capital requirements.

Subsequent Events:

On April 21, 2016, the Company signed a 10% secured convertible debenture agreement with a shareholder in the amount of $300,000. The Debenture is due six months from the date of issuance and is repayable in full with accrued interest at 10% per annum on maturity and the Company has signed a General Security Agreement. The Company has executed a General Security Agreement. The Holder may at any time during the term convert all or part of the Debenture into Units at a conversion price of $0.25 per Unit, where each Unit consists of one common share of the Company, and one-half common share purchase warrant, where each whole warrant gives the Holder the right to purchase one common share of the Company at $0.50 per share for 18 months.

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 May 25, 2016:

	Number of shares	Exercise price	Expiry date
Issued and outstanding common shares at May 25, 2016	29,609,210		
Warrants outstanding	6,880,730	$0.10-0.50	April 22, 2017 to November 23, 2017
Options outstanding	932,500	$0.10	April 2, 2020
Fully diluted at May 25, 2016	37,422,440		

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 May 26, 2016, the Board of Directors of Cloud Nine Education Group Ltd. has approved the disclosure contained in this MD&A.

<u>SCHEDULE C</u>

Annual Financial Statements of the Company for the Financial Year Ended September 30, 2015

[see attached]

ANTERIOR EDUCATION HOLDINGS LTD.

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2015

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Anterior Education Holdings Ltd.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Anterior Education Holdings Ltd., which comprise the consolidated statement of financial position as at September 30, 2015, and the consolidated statements of operations and comprehensive loss, changes in (deficiency) equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Anterior Education Holdings Ltd. as at September 30, 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Vancouver, Canada — *"Morgan & Company LLP"*

December 23, 2015 — Chartered Professional Accountants

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Tel: (604) 687 – 5841 Fax: (604) 687 – 0075 www.morgancollp.com

ANTERIOR EDUCATION HOLDINGS LTD.
Consolidated Statement of Financial Position
(Expressed in Canadian dollars)

		September 30, 2015		September 30, 2014 (Unaudited)
ASSETS				
Current				
Cash	**$**	**12,873**	$	32,311
Available-for-sale investments (Note 4)		**1**		–
Accounts receivable		**109,068**		55,742
Prepaid expenses		**94,864**		65,251
Inventory		**3,915**		18,944
		220,721		172,248
Non-current assets				
Bond deposit (Note 6)		**27,611**		28,072
Property and equipment (Note 7)		**11,588**		50,773
Intangible assets (Note 8)		**413,711**		250,000
Goodwill		**–**		290,575
Assets classified as held for sale (Note 18)		**114,970**		–
		567,880		619,420
TOTAL ASSETS	**$**	**788,601**	$	791,668
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities (Note 9)	**$**	**188,353**	$	228,096
Deferred revenue		**107,148**		177,654
Loans payable (Notes 9 and 10)		**177,663**		94,151
		473,164		499,901
Non-current liabilities				
Convertible debentures (Note 11)		**–**		170,041
Long-term liabilities (Note 12)		**196,245**		-
Liabilities classified as held for sale (Note 18)		**180,852**		–
		377,097		170,041
TOTAL LIABILITIES		**850,261**		669,942
SHAREHOLDERS' (DEFICIENCY) EQUITY				
Share capital (Note 13)		**2**		–
Reserves		**1,441,145**		153,245
Subscriptions received (Note 13)		**100,000**		–
Deficit		**(1,602,807)**		(31,519)
TOTAL SHAREHOLDERS' (DEFICIENCY) EQUITY		**(61,660)**		121,726
TOTAL LIABILITIES AND SHAREHOLDERS' (DEFICIENCY) EQUITY	**$**	**788,601**	$	791,668

Going concern (Note 1)
Subsequent events (Note 20)
These consolidated financial statements were authorized for issuance by the Board of Directors on December 23, 2015. They are signed on behalf of the Board of Directors by:

"Michael Hunter" (Signed)
Director

"Dalton Larson" (Signed)
Director

The accompanying notes are an integral part of these consolidated financial statements.

ANTERIOR EDUCATION HOLDINGS LTD.

Consolidated Statement of Operations and Comprehensive Loss
(Expressed in Canadian dollars)

	Year ended September 30, 2015	Year ended September 30, 2014 (Unaudited)
Revenue		
Tuition fees	**$ 407,544**	$ –
Testing and other income	**855,160**	70,000
	1,262,704	70,000
Direct costs	**(1,027,118)**	–
	235,586	70,000
Expenses		
Bank charges	**43,390**	140
Consulting fees	**32,006**	55,006
Depreciation	**1,200**	–
Insurance	**4,639**	–
Marketing and advertising	**99,873**	21,483
Occupancy costs	**123,198**	–
Office and administration	**72,296**	6,118
Professional fees	**78,428**	14,500
Salaries and benefits	**368,111**	–
	823,141	97,247
Loss before other expenses	**(587,555)**	(27,247)
Other expenses		
Acquisition-date loss	**(10,000)**	–
Impairment of goodwill (Note 5)	**(290,575)**	–
Interest expense	**(1,163)**	–
Write-off of property and equipment	**(4,971)**	–
Loss from continuing operations	**(894,264)**	(27,247)
Loss from discontinued operations (Note 18)	**(677,024)**	–
Net loss and comprehensive loss for the year	**$ (1,571,288)**	$ (27,247)
Basic and diluted loss per share – continuing operations	**$ (0.11)**	$ -
Basic and diluted loss per share – discontinued operations	**$ (0.08)**	$ -
Weighted average number of shares outstanding	**8,350,689**	-

The accompanying notes are an integral part of these consolidated financial statements.

ANTERIOR EDUCATION HOLDINGS LTD.
Consolidated Statement of Changes in (Deficiency) Equity
(Expressed in Canadian dollars)

	Share capital			Subscriptions		
	Number	**Amount**	**Reserves**	**received**	**Deficit**	**Total**
Balance at September 30, 2013 (Unaudited)	–	$ –	$ 36	$ –	$ (4,272)	$ (4,236)
Funding and expenses paid by BHR Capital Corp.	–	–	153,209	–	–	153,209
Net loss for the year	–	–	–	–	(27,247)	(27,247)
Balance at September 30, 2014 (Unaudited)	–	–	153,245	–	(31,519)	121,726
Shares issued for cash	10,000	50	–	–	–	50
Shares issued under Plan of Arrangement with BHR Capital Corp.	27,209,210	2	1,188,954	–	–	1,188,956
Shares cancelled per Plan of Arrangement	(10,000)	(50)	50	–	–	–
Subscriptions received	–	–	–	100,000	–	100,000
Share-based compensation	–	–	98,896	–	–	98,896
Net loss for the year	–	–	–	–	(1,571,288)	(1,571,288)
Balance at September 30, 2015	**27,209,210**	**$ 2**	**$ 1,441,145**	**$ 100,000**	**$ (1,602,807)**	**$ (61,660)**

The accompanying notes are an integral part of these consolidated financial statements.

ANTERIOR EDUCATION HOLDINGS LTD.
Consolidated Statement of Cash Flows
(Expressed in Canadian dollars)

	Year ended September 30, 2015	Year ended September 30, 2014 (Unaudited)
Cash flows from operating activities		
Net loss for the year	**$ (1,571,288)**	$ (27,247)
Items not affecting cash:		
Depreciation	**22,799**	–
Impairment of goodwill	**290,575**	–
Share-based compensation	**98,896**	–
Write-off of property and equipment	**4,971**	–
Accrued interest	**1,624**	–
Changes in non-cash working capital items:		
Accounts receivable	**(80,301)**	–
Prepaid expenses	**(31,806)**	(15,650)
Inventory	**1,029**	–
Accounts payable and accrued liabilities	**105,079**	16,440
Deferred revenue	**(32,476)**	–
	(1,190,898)	(26,457)
Cash flows from investing activities		
Acquisition of subsidiaries, net of cash acquired	**–**	(275,955)
Funding and expenses paid by BHR Capital Corp.	**1,016,914**	42,500
Purchase of property and equipment	**(60,387)**	–
Digital curriculum development costs	**(163,711)**	–
	792,816	(233,455)
Cash flows from financing activities		
Advances from shareholders	**–**	75,368
Proceeds from convertible debentures	**–**	205,750
Proceeds from loans payable	**82,349**	–
Increase in long-term liabilities	**196,245**	–
Proceeds from issuance of shares	**50**	–
Proceeds from share subscriptions	**100,000**	–
	378,644	281,118
(Decrease) increase in cash	**(19,438)**	21,206
Cash, beginning of year	**32,311**	11,105
Cash, end of year	**$ 12,873**	$ 32,311
Supplemental cash flow information		
Cash paid for interest	**$ –**	$ –
Cash paid for taxes	**$ –**	$ –

The accompanying notes are an integral part of these consolidated financial statements.

(Expressed in Canadian dollars)

1. GENERAL INFORMATION AND GOING CONCERN

a) Description of the 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 Canadian English as a Second Language ("ESL") education and licensing of its digital curriculum called the ILI Cloud Curriculum to ESL providers including independent schools, universities and high schools. 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 wholly-owned subsidiaries of the Company. As the Plan of Arrangement was deemed to be a recapitalization of BHR, these financial statements are presented as a continuation of BHR, in which its assets and liabilities and operations are included in the consolidated financial statements at their historical carrying value. The Company's registered office is at Suite 900, 549 Howe Street, Vancouver, British Columbia, V6C 2C2.

b) Going concern

The Company incurred a net loss of $1,571,288 (2014 - $27,247) during the year ended September 30, 2015. As at September 30, 2015, the Company had a working capital deficiency of $252,443 (2014 - $327,653) and an accumulated deficit of $1,602,807 (2014 - $31,519). 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 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 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.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The presentation and functional currency of the Company is the Canadian dollar.

In the opinion of the Company's management, all adjustments considered necessary for a fair presentation have been included.

b) Basis of consolidation

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")	Wholly-owned subsidiary of AES
English Canada World Organization Inc. ("EC")	Wholly-owned subsidiary of AES

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Basis of consolidation (continued)

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All significant intercompany transactions and balances are eliminated on consolidation.

c) Use of judgments and estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates, assumptions and judgments that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from management's best estimates as additional information becomes available in the future.

Significant areas requiring the use of estimates include the useful life and depreciation of property and equipment, carrying value of intangible assets and goodwill, measurement of share-based payments, and deferred income tax asset valuation allowances. Judgements made by management in the application of IFRS that have a significant effect on the financial statements include the factors supporting the capitalization and recoverability of property and equipment, intangible assets and goodwill, and inputs into the calculation of the fair value of share-based payments.

d) Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. The Company's financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. The classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics, and the Company's designation of such instruments.

Classification choices for financial assets include:

- Fair value through profit or loss ("FVTPL"): measured at fair value with changes in fair value on re-measurement recorded in net income or loss;
- Held to maturity: non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity and are recorded at amortized cost with gains or losses recognized in net income or loss in the period that the asset is derecognized or impaired;
- Available-for-sale: non-derivative financial assets not classified in any other category; and are measured at fair value with changes in fair value recognized in other comprehensive income for the current period until realized through disposal or impairment; and
- Loans and receivables: non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are measured at amortized cost with gains and losses recognized in net income or loss in the period that the financial asset is derecognized or impaired.

Financial instruments include cash, available-for-sale investments, accounts receivable, bond deposit, accounts payable and accrued liabilities, and loans payable. Cash is classified as FVTPL, available-for-sale investments are classified as available-for-sale, accounts receivable is classified as loans and receivable, bond deposit is classified as held to maturity, and accounts payable and accrued liabilities and loans payable are classified as other financial liabilities.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Cash

Cash includes cash on hand, and deposits held with Canadian registered banks with original maturities of three months or less.

f) Inventory

Inventory is measured at the lower of cost and net realizable value. The cost of inventory is based on the first-in first-out principle, and includes expenditures incurred in acquiring the inventory, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Inventory consists of books and CD products that are recorded at the lower of cost and net realizable value. Costs are mainly printing cost and material cost. Net realizable value is calculated as the estimated selling price in the ordinary course of business less the estimated costs of completion, discounts, commissions and other selling expenses necessary to make the sale.

g) Property and equipment

Property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Where the costs of certain components of property and equipment are significant in relation to the total cost of the item, they are accounted for and depreciated separately. Depreciation expense is recognized in earnings using the depreciation rates as follows:

- Furniture and office equipment – 5 years straight-line basis
- Computer equipment – 50% diminishing balance basis
- Leasehold improvements – 6 years straight-line basis

The Company reviews the depreciation rate and the depreciation method at each reporting date.

h) Intangible assets

The Company's finite life and indefinite life intangible assets are recorded at their cost which, for intangible assets acquired in business combinations, represents the fair value at the acquisition date. Indefinite life intangible assets, which include trade names, are not subject to depreciation and are tested for impairment annually or when indicated by changes in events or circumstances. An impairment of an indefinite life intangible asset is recorded when, and to the extent that, the carrying value of an indefinite life intangible asset exceeds the fair value of the related indefinite life intangible asset with fair values of the indefinite life intangible assets being determined pursuant to generally accepted valuation methodologies.

Finite life intangible assets, which includes curriculum, are carried at cost less accumulated depreciation and impairment. The asset is depreciated over five years on a straight-line basis, being its estimated useful life. Finite life intangible assets are tested for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable through future discounted net cash flows from the use or disposal of the related finite life intangible asset.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Goodwill

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the identifiable assets acquired, less liabilities assumed, based on their fair values. Goodwill is allocated as of the date of the business combination to the Company's cash generating units that are expected to benefit from the synergies of the business combination. Goodwill is not depreciated and is tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. Specifically, goodwill impairment is determined comparing the fair values of each cash generating unit to its carrying amount, including goodwill. If the fair value of each cash generating unit exceeds its carrying amount, goodwill is not considered to be impaired and the second step will not be required. If the carrying amount of a cash generating unit exceeds its fair value; the second step compares the implied fair value of goodwill to the carrying value of the cash generating unit's goodwill.

The implied fair value of goodwill is determined in a manner similar to accounting for a business combination with the allocation of the assessed fair value determined to the assets and liabilities of the cash generating unit. The excess of the fair value of the cash generating unit over the amounts assigned to the assets and liabilities is the implied fair value of goodwill. An impairment loss is recognized for any excess in the carrying value of goodwill over the implied fair value of goodwill. Estimating fair value is performed by utilizing various valuation techniques, with the primary technique being a discounted cash flow analysis. The Company performs the impairment test annually.

j) Revenue recognition

Revenue from a contract to provide service is recognized by reference to the stage of completion of the contract. Tuition fee revenue, net of discounts, is recognized on a straight-line basis over the period of instruction. Tuition fees paid in advance of course offerings, net of related discounts, are recorded as deferred revenue and recognized in revenue over the period of instruction.

Testing and other income, which includes internship fees and homestay service, are recognized when earned.

k) Loss per share

Basic earnings (loss) per common share is computed by dividing their respective net income (loss) by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per common share is determined by adjusting the respective weighted average number of common shares outstanding for the effects of all potentially diluted common share options and warrants. In a loss year, potentially dilutive common shares are excluded from the loss per share calculation as the effect would be anti-dilutive.

l) Comprehensive loss

Comprehensive loss is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in the statement of operations. The Company does not have items representing comprehensive income or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Share-based payments

The grant date fair value of share-based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Where equity instruments are granted to parties other than employees, they are recorded by reference to the fair value of the services received. If the fair value of the services received cannot be reliably estimated, the Company measures the services received by reference to the fair value of the equity instruments granted, measured at the date the counterparty renders service.

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled, share-based payment transactions, regardless of how the equity instruments are obtained by the Company.

All equity-settled share-based payments are reflected in share-based payment reserve, unless exercised. Upon exercise, shares are issued from treasury and the amount reflected in share-based payment reserve is credited to share capital, adjusted for any consideration paid.

n) Income taxes

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the date of financial position.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset deferred tax assets against deferred tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

o) New standards and interpretations

Certain pronouncements have been issued by the IASB, or the IFRS Interpretations Committee that are mandatory for accounting years beginning on or after July 1, 2016 or later years.

- New standard IFRS 9, "*Financial Instruments*"
- New standard IFRS 15 "*Revenue from Contracts with Customers*"

The Company has not early adopted these revised standards and is currently assessing the impact that these standards will have on the consolidated financial statements. Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

3. SHARE EXCHANGE

On February 6, 2015, the Company's wholly-owned subsidiary, BHR Capital Corp. ("BHR"), entered into a Letter Agreement, as amended on March 11, 2015, and April 16, 2015, for the acquisition of Anterior Education Systems Ltd. ("AES"), whereby AES would become a wholly-owned subsidiary of BHR.

On April 22, 2015, the Letter Agreement closed and BHR acquired all of the issued and outstanding shares of AES in exchange for the issuance of 12,844,110 common shares. Upon closing, the former shareholders of AES held 54% voting control of BHR. As a result of the Letter Agreement, the former shareholders of AES, for accounting purposes, are considered to have acquired control of BHR. Accordingly, the Letter Agreement has been accounted for as a reverse takeover that was not a business combination and effectively a capital transaction of BHR. As AES is deemed to be the accounting acquirer for accounting purposes, its assets and liabilities and operations since incorporation on June 28, 2013, are included in the consolidated financial statements at their historical carrying value. The consolidated financial statements are a continuation of AES in accordance with IFRS 3, *Business Combinations*. The results of operations of BHR are included from April 22, 2015, onwards. At the time of the execution of the Arrangement, BHR had net assets totalling $69,518, consisting of cash of $77,559 and payable of $8,041.

4. PLAN OF ARRANGEMENT

On April 14, 2015, the Company entered into an Arrangement Agreement (the "Arrangement") with BHR Capital Corp. ("BHR") and Cervantes Capital Corp. ("Cervantes"). On June 10, 2015, the shareholders of the Company, BHR and Cervantes executed the Arrangement, as follows:

a) BHR acquired all of the 10,000 issued and outstanding common shares of the Company from Cervantes (the "Purchase Shares") for the purchase price of $10,000 (paid);

b) BHR and the Company exchanged securities on a 1:1 basis, such that all the outstanding common shares of the BHR were exchanged by their holders for the same amount of shares of the Company;

c) the Company issued 396,600 common shares to Cervantes in exchange for 1,000 common shares of Cervantes (collectively the "Exchange Shares"), by which the Company became a reporting issuer;

d) the Exchange Shares were issued as a dividend to the Cervantes shareholders as of the record date on a pro rata basis; and

e) the Purchase Shares were cancelled.

As a result of the Arrangement, the former shareholders of BHR, for accounting purposes, are considered to have acquired control of the Company. Accordingly, the Arrangement has been accounted for as a reverse takeover that was not a business combination and effectively a capital transaction of the Company. As BHR is deemed to be the accounting acquirer for accounting purposes, its assets and liabilities and operations since incorporation on December 3, 2014, are included in the consolidated financial statements at their historical carrying value. The consolidated financial statements are a continuation of BHR in accordance with IFRS 3, *Business Combinations*. The Company's results of operations are included from June 10, 2015, onwards. At the time of the execution of the Arrangement, the Company had net assets totalling $Nil.

As at September 30, 2015, the Company had the 1,000 (2014 – Nil) common shares of Cervantes from the Arrangement, which were valued at $1 (2014 - $Nil) and classified as available-for-sale investments.

(Expressed in Canadian dollars)

5. ACQUISITION OF ILI AND EC

On September 30, 2014, AES acquired all of the issued and outstanding common shares of ILI and EC for total consideration of $375,000 as follows:

a) $50,000 in cash deposits paid on August 22, 2014;
b) $150,000 in cash paid on September 30, 2014;
c) $100,000 in cash payable on September 30, 2015; and
d) 1,500,000 common shares of AES valued at $75,000 issued on September 30, 2014.

AES has allocated the purchase price as follows:

Net assets acquired at fair values:		
Cash	$	24,045
Accounts receivable		55,742
Prepaid expenses		46,151
Inventory		18,944
Bond deposit		28,072
Property and equipment		50,773
Intangible assets		250,000
Goodwill		290,575
Accounts payable and accrued liabilities		(211,648)
Deferred revenue		(177,654)
Total net assets	**$**	**375,000**

During the year ended September 30, 2015, the Company recognized impairment of the goodwill of $290,575, due to the subsequent sale of ILI (Note 20).

6. BOND DEPOSIT

As at September 30, 2015, the Company has a bond held at the Canadian Imperial Bank of Commerce as a letter of credit for the beneficiary of the Minister of Finance for the Province of Nova Scotia on behalf of the Private Career Colleges Division in the amount of $27,611 (2014 - $28,072), which includes accrued interest of $11 (2014 - $472). The bond bears interest at 0.55% per annum and matures on September 6, 2016.

(Expressed in Canadian dollars)

7. PROPERTY AND EQUIPMENT

Cost	**Furniture and office equipment**	**Computer equipment**	**Leasehold improvements**	**Total**
Balance, September 30, 2013	$ –	$ –	$ –	$ –
Additions	24,767	1,238	24,768	50,773
Balance, September 30, 2014	24,767	1,238	24,768	50,773
Additions	–	47,599	12,788	60,387
Assets classified as held for sale	(19,796)	(48,837)	(24,768)	(93,401)
Write-off	(4,971)	–	–	(4,971)
Balance, September 30, 2015	**$ –**	**$ –**	**$ 12,788**	**$ 12,788**

Accumulated depreciation	**Furniture and office equipment**	**Computer equipment**	**Leasehold improvements**	**Total**
Balance, September 30, 2013	$ –	$ –	$ –	$ –
Depreciation	–	–	–	–
Balance, September 30, 2014	–	–	–	–
Depreciation	4,953	12,518	5,328	22,799
Assets classified as held for sale	(4,953)	(12,518)	(4,128)	(21,599)
Balance, September 30, 2015	**$ –**	**$ –**	**$ 1,200**	**$ 1,200**

Net carrying amounts	**Furniture and office equipment**	**Computer equipment**	**Leasehold improvements**	**Total**
Balance, September 30, 2014	$ 24,767	$ 1,238	$ 24,768	$ 50,773
Balance, September 30, 2015	**$ –**	**$ –**	**$ 11,588**	**$ 11,588**

8. INTANGIBLE ASSETS

The changes in the carrying amount of intangible assets are shown below:

	Curriculum	**Trade name**	**Total**
Balance, September 30, 2013	$ –	$ –	$ –
Additions	50,000	200,000	250,000
Balance, September 30, 2014	50,000	200,000	250,000
Additions	163,711	–	163,711
Balance, September 30, 2015	**$ 213,711**	**$ 200,000**	**$ 413,711**

As at September 30, 2015 and 2014, the Company's curriculum is still in the development stage and will not be depreciated until the curriculum is in full use.

9. RELATED PARTY TRANSACTIONS

a) At September 30, 2015, the Company was indebted to the Chief Executive Officer ("CEO") of the Company for $21,500 (2014 - $Nil), which is non-interest bearing, unsecured and due on demand.

b) At September 30, 2015, the Company was indebted to a 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. Subsequent to September 30, 2015, the Company entered into an agreement to extend the maturity date to December 1, 2016 (Note 19).

c) At September 30, 2015, the Company was indebted to a director of the Company for $26,000, 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 interest 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 September 30, 2015, the Company recognized accrued interest of $163.

d) During the year ended September 30, 2015, the Company paid salaries and benefits of $108,300 (2014 - $Nil) to the CEO of the Company, $78,750 (2014 - $Nil) to the Chief Financial Officer ("CFO") of the Company, and $Nil (2014 - $34,291) to a company of which the CFO of the Company is a director.

e) During the year ended September 30, 2015, the Company granted 750,000 stock options with a fair value of $61,810 (2014 - $Nil) to directors and officers of the Company.

f) During the year ended September 30, 2015, the Company paid rent of $Nil (2014 - $5,000) to a company controlled by an officer of the Company. At September 30, 2015, the Company owed the company controlled by an officer of the Company $Nil (2014 - $3,150), which has been included in accounts payable and accrued liabilities.

10. LOANS PAYABLE

At September 30, 2015, the Company was indebted for $30,000, pursuant to a promissory note dated September 29, 2015. The amount is unsecured, bears interest at 1% per month and was due on October 29, 2015.

11. CONVERTIBLE DEBENTURES

On September 30, 2014, AES issued 0% convertible debentures to directors and officers of AES in the amount of $205,750, which were due and payable on September 30, 2016. The debentures were convertible into common shares of AES at $0.04 per share.

Upon issuance of the debentures, AES recorded a liability of $170,041. The liability component is being accreted using the effective interest rate method. The amount was calculated using a discount rate of 10%. The estimated fair value of the holders' options to convert the debentures into common shares in the amount of $35,709 has been separated from the fair value of the liability and is included in equity.

During the year ended September 30, 2015, all $205,750 of the convertible debentures were converted into 5,143,750 common shares of AES at $0.04 per share.

12. LONG-TERM LIABILITIES

The Company is in dispute with the British Council as a result of loss of business opportunity and related revenues after the sale of the Company's domain IELTS.ca to the British Council. The Company is currently reviewing legal advice regarding how much monetary compensation the Company should be seeking to meet the requirement of sufficient remedy. In the interim, management is of the opinion that any liability which may exist should be classified as long-term due to the British Council's failure to meet the terms and conditions associated with their acquisition of the IELTS.ca domain from the Company. As at September 30, 2015, $196,245 (2014 - $Nil) were owing to the British Council and the Company does not intend to pay the amounts owing in the next 12 months until the dispute is settled.

(Expressed in Canadian dollars)

13. SHARE CAPITAL

a) Authorized

Unlimited number of common shares without par value.

b) Issued and outstanding

a) On April 14, 2015, the Company issued 10,000 shares for proceeds of $50.

b) On June 10, 2015, the Company issued 26,812,610 common shares to the shareholders of BHR Capital Corp. on a 1:1 basis pursuant to an Arrangement Agreement (Note 4). In connection with the Arrangement Agreement, the Company cancelled 10,000 common shares which were previously outstanding and issued 396,600 common shares in exchange for 1,000 shares of Cervantes Capital Corp.

c) At September 30, 2015, the Company received share subscriptions of $100,000, pursuant to the issuance of 500,000 units at $0.20 per unit. Each unit will include one common share and one share purchase warrant exercisable at $0.40 per share for a term of 2 years (Note 20).

14. SHARE PURCHASE WARRANTS

The following table summarizes information about the warrants issued for the year ended September 30, 2015:

	Number of warrants	Weighted average exercise price
Outstanding, September 30, 2014 and 2013	–	–
Issued	4,408,730	$ 0.16
Outstanding, September 30, 2015	**4,408,730**	**$ 0.16**

The following table summarizes information about warrants outstanding as at September 30, 2015:

Exercise Price	Expiry date	Warrants outstanding
$ 0.10	February 25, 2016	1,075,000
$ 0.10	March 6, 2016	625,000
$ 0.10	April 15, 2016	525,000
$ 0.10	April 17, 2016	375,000
$ 0.25	April 22, 2017	736,600
$ 0.25	May 1, 2017	1,072,130
		4,408,730

(Expressed in Canadian dollars)

15. STOCK OPTIONS

The Company has adopted a stock option plan pursuant to which options may be granted to directors, officers, employees and consultants of the Company to a maximum of 10% of the issued and outstanding common shares and no one person may receive in excess of 5% of the outstanding common shares of the Company. The exercise price of each option is set by the Board of Directors at the time of grant but cannot be less than $0.10 per share or the market price (less permissible discounts) on the TSX Venture Exchange. Options can have a maximum term of five years. Vesting of options is at the discretion of the Board of Directors at the time the options are granted.

The following table summarizes the continuity of the Company's stock options:

	Number of stock options	Weighted average exercise price
Outstanding, September 30, 2014 and 2013	–	–
Granted	1,200,000	$ 0.10
Outstanding, September 30, 2015	**1,200,000**	**$ 0.10**

Additional information regarding stock options outstanding as at September 30, 2015, is as follows:

Outstanding			Exercisable	
Number of stock options	Weighted average remaining contractual life (years)	Weighted average exercise price	Number of stock options	Weighted average exercise price
1,200,000	4.5	$ 0.10	1,200,000	$ 0.10

The fair value of stock options granted have been estimated using the Black-Scholes option pricing model assuming no expected dividends and the following weighted average assumptions:

	2015
Risk-free interest rate	0.73%
Expected life (in years)	5
Expected volatility	120%

The fair value of stock options vested during the year ended September 30, 2015, was $98,896 which has been included in salaries and benefits. The weighted average fair value of stock options granted during the year ended September 30, 2015, was $0.08 per stock option.

16. RISK MANAGEMENT

i) Risk management overview

The Company's activities are exposed to a variety of financial risks such as credit risk, liquidity risk, and market risk. This section contains information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. The Company employs risk management strategies and policies to ensure that any exposures to risk are in compliance with the Company's business objectives and risk tolerance levels.

ii) Fair value of financial instruments

The fair values of cash, available-for-sale investments, accounts receivable, accounts payables and accrued liabilities, and loans payable approximate their carrying values due to the short term maturity of those instruments. The fair value of the bond deposit approximates its carrying value as it bears interest at market floating rates or fixed rates consistent with market rates for similar instruments.

The significance of inputs used in making fair value measurements are examined and classified according to a fair value hierarchy. Fair values of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly, and are based on valuation models and techniques where the inputs are derived from quoted indices. Level 3 valuations are based on inputs that are unobservable and significant to the overall fair value measurement.

iii) Credit risk

Credit risk is the risk of an unexpected loss if a third party to a financial instrument fails to meet its contractual obligations. The Company's exposure to credit risk includes cash, and accounts receivables. The Company's maximum exposure to credit risk is equal to the carrying value of the financial assets. The Company reduces its credit risk by: maintaining its bank accounts at large financial institutions, and monitoring accounts receivables. The Company has no past due or impaired receivables.

iv) Liquidity risk

Liquidity risk is the risk of the Company's inability to meet its financial obligations as they come due. As at September 30, 2015, the Company had a working capital deficiency of $252,443 (2014 - $327,653). The Company is focused on generating more revenue and is actively pursuing additional sources of financing to ensure that it can meet its on-going operating requirements and planned capital expenditures. The Company has no current commitments for capital expenditures as of the date hereof. There is no assurance that the Company will be successful in these initiatives.

v) Currency risk

The Company is not currently exposed to the financial risk related to the fluctuation of foreign exchange rates.

vi) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments. It arises when the Company invests in interest bearing financial instruments. As at September 30, 2015, the Company did not have any financial instruments subject to significant interest rate risk.

(Expressed in Canadian dollars)

16. RISK MANAGEMENT (continued)

vii) Capital management

The Company defines capital as share capital, reserves, subscriptions received and deficit. The Company's objective is to ensure that capital resources are readily available to meet its approved capital expenditure program and to take advantage of attractive acquisition opportunities as they arise.

The Company sets its capital structure in proportion to risk. The Company continually monitors economic and general business conditions and makes adjustments accordingly to maintain or adjust the capital structure. For the capital structure, the Company may purchase and cancel shares pursuant to issuer bids or issue new shares. In order to maximize on-going development efforts, the Company does not pay out dividends.

17. COMMITMENTS

As at September 30, 2015, the Company had two leases for school facilities, located in Vancouver and Halifax. Subsequent to September 30, 2015, the Company sold its subsidiary, International Language Institute Ltd., which included the Halifax lease.

The future minimum lease payments, including operating costs and taxes, as of September 30, 2015, under the Vancouver lease are:

2016	$ 124,262
2017	124,262
2018	10,355
	$ 258,879

18. ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

Subsequent to September 30, 2015, the Company entered into an agreement to sell all of the issued and outstanding securities of International Language Institute Ltd. to an arm's-length third party. The transaction closed on October 23, 2015 (Note 20).

Assets that are held for disposal are classified as discontinued operations and are valued at the lower of their carrying amounts and fair value less costs to sell. The Company presents assets and liabilities associated with assets held for sale separately from the Company's other assets and liabilities. A discontinued operation is a component of the Company that either has been disposed of, or is classified as held for sale. Net income (loss) of the discontinued operations with gain or loss recognized on disposal are combined and presented in the statement of comprehensive income (loss) and cash flows are to be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Company. International Language Institute Ltd. meets the criteria to be classified as assets held for sale and discontinued operations as of September 30, 2015 and therefore, assets and liabilities of International Language Institute Ltd. have been classified as assets and liabilities held for sale and the results of operations of International Language Institute Ltd. for all periods have been classified as discontinued operations.

(Expressed in Canadian dollars)

18. ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS (continued)

International Language Institute Ltd.		September 30, 2015
ASSETS		
Current		
Cash	$	8,965
Accounts receivable		18,010
Prepaid expenses		2,195
Inventory		14,000
		43,170
Non-current assets		
Property and equipment (Note 7)		71,800
TOTAL ASSETS	$	114,970
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Note 9)	$	142,822
Deferred revenue		38,030
TOTAL LIABILITIES	$	180,852

International Language Institute Ltd.		Year ended September 30, 2015
Revenue		
Tuition fees	$	657,517
Testing and other income		80,002
		737,519
Direct costs		(424,904)
		312,615
Expenses		
Bank charges		14,310
Depreciation		21,599
Insurance		10,720
Marketing and advertising		30,715
Occupancy costs		276,763
Office and administration		161,462
Professional fees		16,454
Salaries and benefits		457,616
		989,639
Net loss and comprehensive loss for the year	$	(677,024)

(Expressed in Canadian dollars)

19. INCOME TAXES

The Company and its subsidiaries are subject to income taxes in Canada on its taxable income as reported in its statutory accounts at a tax rate in accordance with the relevant income tax laws.

a) Income tax expenses

A reconciliation of the combined federal and provincial income taxes at statutory rates and the Company's effective income tax expense is as follows:

	2015	2014
Statutory tax rate	**26%**	26%
Income tax recovery at statutory rate	**$ (409,000)**	$ (7,000)
Increase (reduction) in income taxes:		
Non-deductible items	**26,000**	–
Financing fees	**(16,000)**	–
Tax assets acquired from business combination	–	(124,000)
Tax assets not recognized	**399,000**	131,000
Total income tax recovery	**$ –**	$ –

b) Deferred income taxes

Deferred income taxes result primarily from differences in the recognition of certain revenue and expense items for financial and income tax reporting purposes. The Company has temporary differences between the tax and accounting bases of assets. The temporary differences that give rise to deferred income tax assets (liabilities) at September 30, 2015 and 2014 are as follows:

	2015	2014
Deferred tax assets and liabilities		
Non-capital losses carried forward	**$ 369,000**	$ 85,000
Property and equipment	**73,000**	47,000
Intangible assets and goodwill	**76,000**	–
Share issue costs	**13,000**	–
Deferred tax asset not recognized	**(531,000)**	(132,000)
Net deferred tax assets (liabilities)	**$ –**	$ –

As at September 30, 2015, the Company has non-capital losses carried forward of approximately $1,424,000 (2014 - $330,000), which expire through to 2035.

20. SUBSEQUENT EVENTS

a) On October 1, 2015, the Company issued 500,000 units at $0.25 per unit for proceeds of $125,000. Each unit includes one common share and one share purchase warrant exercisable at $0.50 per share for a term of 18 months.

b) On October 16, 2015, the Company issued 100,000 units at $0.25 per unit for proceeds of $25,000. Each unit includes one common share and one share purchase warrant exercisable at $0.50 per share for a term of 18 months.

c) On October 23, 2015, the Company entered into a share purchase agreement to sell all of the issued and outstanding securities of International Language Institute Ltd. to an arm's-length third party in consideration for $102.

d) On November 2, 2015, the Company entered into an agreement with a 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.

20. SUBSEQUENT EVENTS (Continued)

e) On November 19, 2015, the Company issued 1,000,000 units at $0.25 per unit for proceeds of $250,000. Each unit includes one common share and one share purchase warrant exercisable at $0.50 per share for a term of 18 months.

f) On November 23, 2015, the Company issued 500,000 units at $0.20 per unit for proceeds of $100,000. Each unit includes one common share and one share purchase warrant exercisable at $0.40 per share for a term of 2 years.

SCHEDULE D

Management's Discussion and Analysis for the Financial Year Ended September 30, 2015

[see attached]

CLOUD NINE EDUCATION GROUP LTD.

Management's Discussion and Analysis
For the Year Ended September 30, 2015
Prepared as of December 23, 2015

Contact Information
Cloud Nine Education Group Ltd. (the "Company")
900-549 Howe Street, Vancouver
Vancouver, B.C. V6C 2C2
Telephone: (604) 669-2930

General

The following discussion and analysis, prepared as of December 23, 2015 should be read together with the audited financial statements for the year ended September 30, 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

The Company was incorporated in the Province of British Columbia on April 14, 2015 under the *Business Corporations Act* (British Columbia). The Company's principal business focuses on Canadian English as a Second Language ("ESL") education and licensing of its digital curriculum, which the Company has named the "*Cloud Nine ESL Program*" to ESL providers including independent ESL schools, universities and high schools. 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, including 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")	Wholly-owned subsidiary of AES
English Canada World Organization Inc. ("EC")	Wholly-owned subsidiary of AES

Canadian ESL Market

Within Canada, the education market generates approximately $6.5 billion per year, employing over 83,000 people. The ESL market in particular generates approximately $745 million annually and services approximately 30,000 foreign students each year (Industry Canada 2009).

The industry is highly fragmented 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, recent events have resulted in ESL providers expecting unrealistic prices for their schools. Internal growth today, while slower, seems much more cost effective and mitigates the risks of acquiring a collection of overpriced businesses that are struggling to survive.

International ESL Market

The international ESL market continues to expand. The British Council has projected that by 2020 more than 2 billion people per year will be studying English. Without question the language of both business and science is English. There is no indication that this trend will abate or end in the foreseeable future.

However, for every student who is able to travel abroad to learn English, there are thousands of other who are required to study ESL in their own countries. With the worldwide proliferation of the smart phone, the tablet and the computer, today's ESL students are seeking out new ways to gather information and learn about what interests them. There are very limited choices for the hundreds of millions of ESL students currently seeking a functional, mobile and accessible ESL curriculum in their own country. At the same time, teachers need, and are seeking out, more efficient methods of compiling and transmitting information to their students, whilst administrators want to ensure budgetary restraint. The Company's management is of the view that in today's international ESL market, companies with a digital based curriculum that is cost efficient, and comes with teacher training and certification, face limited competition and have vast opportunities before them.

Overall Performance

Digital Curriculum Development

While continuing to increase enrolment at its own ESL school, the Company plans to diversify its position within the education sector and focus on generating revenues through the sale of its own digital ESL curriculum, the Cloud Nine ESL Program, as mentioned above. The Company has been developing the Cloud Nine ESL Program since its acquisition of ILI in September, 2014. Lessons are ranked within the internationally recognized Common European Frame of Reference ("CEFR"), as designed by the Council of Europe[1] to provide a transparent, coherent and comprehensive basis for the elaboration of language syllabuses and curriculum guidelines, the design of teaching and learning materials, and the assessment of foreign language proficiency. All course materials are stored in a Google drive program designed for educators. Teachers are able to manage data flow and to restrict documents that may not be edited. Every student has a folder and teachers can access all of a 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 textbooks to carry around and no more loose paper to keep track of. Students can access their course materials individually or share their page and work concurrently with others on the same page at the same time. Teachers use their devices 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 themes of lessons are 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.

ESL School Locations

The Company's management team is intrinsically involved in the recruitment and education of foreign students in Vancouver, BC. The Company anticipates retaining and maintaining its current ESL location

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[1] *Common European framework of reference for languages: learning, teaching assessment <http://www.coe.int/t/dg4/linguistic/cadre1_en.asp>*

in Vancouver, although this will not significantly contribute to the Company’s overall business going forward.

On October 23, 2015, the Company entered into Share Purchase Agreement to sell all of the issued and outstanding securities of ILI to an arms-length third party as the Company’s management determined that the Halifax, NS, campus run by ILI was no longer sustainable, due to a couple of main reasons: certain funding previously available for the Halifax school through a scholarship program provided by Saudi Arabia was discontinued and there was difficulty attracting new ESL students to the location.

Pilot Projects 2015

Two pilot projects comprised of four weeks each were conducted in Halifax in June, 2015. The programs used the Cloud Nine ESL Program exclusively and were highly successful. Students commented on how easy the curriculum was to use. Both programs have been reconfirmed for 2016 with plans and enrollment is already 20% above the 2015 contingent with several months left to market to program and attract more students.

Curriculum Revenue

Revenues are to be generated by charging students a curriculum fee of $10 to $12 per month in lieu of the text book fee currently being applied. Schools which integrate the Cloud 9 ESL Program into the course they offer will share in the revenues generated by their students as noted subsequently. The business model requires 5,000 users to cover ongoing development, marketing and costs of delivery with the objective of attracting up to one million users over the next five years.

The Company is working with the Canadian officials in Chile and Brazil to identify universities, high schools and large ESL providers who may have expressed an interest in implementing the Cloud Nine ESL Program. A delegation from the Company traveled to South America in June 2015 to meet officials from companies and institutions which had been recommended by Canadian consulates in Santiago, Chile and in São Paulo and Rio de Janeiro in Brazil. The Company is in advanced discussions with several of those parties and a number of pilot projects are pending; however, for reasons described below, the Company has decided to focus on the Mexican market as opposed to the Chilean market for the foreseeable future.

Future plans and outlook

The past 12- to 18-month period has demonstrated that the ESL market in Canada will be 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: a finite number of students coming to Canada to learn ESL juxtaposed with an overabundance of schools to facilitate their interests; schools outside of Vancouver and Toronto markets that have proven to be extremely difficult to operate profitably within; agents who recruit students for Canadian ESL schools at a cost of 25 to 40% of tuition; and the rising cost of teachers and the ever increasing expenses associated with overseas marketing.

Perhaps the best examples of failure to profit from a consolidation of ESL schools is shown by the attempts of other public companies to consolidate ESL assets in Canada. These undertakings led to significant financial losses by the said public entities resulting in a vast erosion in shareholder valuation. For its own part, the Company has suffered a similar result since commencing ESL operations in September 2014 and recently determined it was in the Company's best interest to divest itself of its Halifax ESL assets, being the sale of ILI, which took place in October 2015. The Company also determined at the time of the sale of ILI that it was not economically viable for EC, one of the subsidiaries of AES, to continue providing the IELTS test in Atlantic Canada.

The Company’s management team 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 the Company from other ESL providers, such as the addition of a significant and reoccurring revenue stream outside of simple tuition and an ability to generate revenues outside of simply teaching ESL to students in Canada.

While there are hundreds of ESL schools in Canada competing to teach English to domestic students and the 30,000 to 50,000 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 internationally who seek to develop their English language skills. When one seeks to locate curriculum developers who provide digital based ESL study programs, the number is only a select few.

With this understanding in place, the Company's management team believes the best opportunity to develop into a profitable operation is to position itself as a digital based ESL curriculum developer and provider for students studying English in Canada and around the world.

There are several reasons the Company has arrived at this decision. First, today's typical ESL student wants a more dynamic, interactive and up to date current curriculum than can be provided through traditional text book study programs. Second, such a curriculum will clearly differentiate the Company from other ESL providers. Third, it will 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, a digital curriculum will enable the Company to generate a very strong, recurring revenue stream with a high margin of profitability. Once the base digital curriculum is developed, it requires limited personnel to keep it going whilst continuing to add additional ESL schools, universities and technical institutes to its client base.

Competitive Advantages

Teacher training has been identified as a central issue of decision makers considering the Cloud Nine ESL Program and companies alike want to know the curriculum they choose is properly supported. The Company officials are even aware of other examples of where the lack of training and support limited or eliminated opportunities for curriculum sales.

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. The Company’s management intends to take advantage of 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 integrating the Cloud Nine ESL Program into their study program. As far as management has determined so far, no other ESL curriculum in Brazil or Chile currently provides this service.

Short-Term Focus

Given the vast size of the South American population and the welcoming response to the Cloud Nine ESL Program in June 2015, the Company intends to focus on developing a market penetration in the region before considering other expansion opportunities.

BHR Capital Corp. acquisition of Anterior Education Systems Ltd

On February 6, 2015, the Company’s wholly-owned subsidiary, BHR Capital Corp. (“BHR”), entered into a Letter Agreement, as amended on March 11, 2015, and April 16, 2015, for the acquisition of Anterior Education Systems Ltd. (“AES”), whereby AES would become a wholly-owned subsidiary of BHR.

On April 22, 2015, the Letter Agreement closed and BHR acquired all of the issued and outstanding shares of AES in exchange for the issuance of 12,844,110 common shares. Upon closing, the former shareholders of AES held 54% voting control of BHR. As a result of the Letter Agreement, the former shareholders of AES, for accounting purposes, are considered to have acquired control of BHR. Accordingly, the Letter Agreement has been accounted for as a reverse takeover that was not a business combination and effectively a capital transaction of BHR. As AES is deemed to be the accounting acquirer for accounting purposes, its assets and liabilities and operations since incorporation on June 28, 2013, are included in the interim consolidated financial statements at their historical carrying value. The interim consolidated financial statements are a continuation of AES in accordance with IFRS 3, Business Combinations. The results of operations of BHR are included from April 22, 2015, onwards. At the time of the execution of the Arrangement, BHR had net assets totalling $69,518, consisting of cash of $77,559 and payable of $8,041

CET Vancouver Asset Acquisition

On December 19, 2014, the company's subsidiary, Anterior Education Systems Ltd., purchased certain assets from CET Educational Travel Canada Ltd. for a nominal one dollar and we determined that it was not a significant acquisition of a business since we had to sign a new lease at different location and the value of the equipment (all equipment were purchased from IKEA more than 5 years ago and had no resale value) were not material. Also Anterior Education Systems Ltd. started operating under "ILI Vancouver" and did not continue under CET Vancouver brand and did not use any of the CET's marketing or their curriculum which are the most important assets.

The assets acquired and liabilities assumed are:

Assets acquired:	
Cash	48,664
Equipment and furniture	5,000
Textbooks	5,000
Employee contracts	5,000
Agency list	5,000
57 Students (10 regular and 47 one-month program)	15,000
Total assets	83,664
Liabilities assumed:	
January payroll for teachers	23,922
Accommodation for students	45,695
Students medical insurance	730
Agent commissions	4,400
Students activities	8,750
Printer lease	257
Bus passes for students	1,820
Textbook invoice owed	1,000
Total liabilities	86,574
Net assets acquired	(2,910)

Selected Financial Information

A summary of selected financial information for the year ended September 30, 2015 is as follows:

	Year Ended September 30, 2015	Year Ended September 30, 2014	Period from incorporation on June 28, 2013, to September 30, 2013
Total assets	788,601	791,668	14,555
Intangible assets	413,711	250,000	-
Goodwill	-	290,575	-
Working capital (deficit)	(252,443)	(327,653)	(4,236)
(Deficit)/Equity	(61,660)	(31,519)	(4,272)
Revenue	1,262,704	70,000	10,000
(Loss)/Income	(1,571,288)	(0.01)	(11.87)
(Loss)/Income per share – continuing	(0.11)	(0.01)	(11.87)
(Loss)/Income per share - discontinued	(0.08)	-	-

Note: The Year ended September 30, 2014 results are for the results of subsidiaries only which include Anterior Education Systems Ltd., International Language Institute Ltd., English Canada World Organization Inc. and do not include the results of the Company and BHR Capital Corp.

The Year ended September 30, 2013 results are for the results of subsidiaries only which include Anterior Education Systems Ltd. and do not include the results of the Company and BHR Capital Corp.

For the year ended September 30, 2015, the Company reported no changes in accounting policy and declared no cash dividends. As at September 30, 2015 the Company had cash of $12,873 and working capital deficit of $252,443, which includes deferred revenue of $107,148.

The increase in intangible assets is due to the addition of the new Cloud Nine ESL Program, which the Company is currently developing.

Summary of Quarterly Results

	4th Quarter	3rd Quarter
Three months ended	**Sep 30, 2015**	**Jun 30, 2015**
Tuition fees	222,569	262,172
Testing and other income	59,811	355,785
Direct costs	274,075	345,139
Expenses	291,592	541,848
Other expenses	6,134	10,000
Impairment of goodwill	290,575	-
Loss from discontinued operations	677,024	-
Comprehensive loss	800,208	279,030
Loss per share-basic and diluted	0.01	0.01

The fourth quarter financial 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 September 30, 2015 is $677,024.

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.

In the quarter ended September 30, 2015, the Company recognized impairment of the goodwill of $290,575. At the time when ILI and EC were purchased by Anterior Education Systems, ILI and EC had working capital deficit of $216,348 and goodwill was determined to be $290,575. In July of 2015, the company ceased to operate EC and in October 2015, ILI was sold to an arm's length third party for a nominal amount of $102. Since the company was no longer operating ILI and EC in Halifax, the company determined that the goodwill was impaired by the entire amount.

The increase in testing and other income in the 3rd Quarter is mostly due to the higher enrolment of the IELTS tests and one CELTA course ($30,800 in tuition revenue) which was offered in June 2015 by English Canada.

Other expenses of $10,000 is for the write down of Acquisition date loss of shares of the company held by BHR Capital Corp. Pursuant to the plan of arrangement, BHR acquired all of the 10,000 issued and outstanding shares of AEH in consideration for $10,000. At the date of acquisition, the only assets of AEH consisted of an intercompany amount due to BHR. As a result, AEH had no assets at the date it was acquired by BHR, resulting in an acquisition date loss of $10,000.

The Halifax campus which is operated under ILI, was losing roughly $60,000-70,000 per month and it was very difficult to market and attract international students after the discontinuation of the Saudi scholarships. The monthly rent of $34,000 combined with the legacy costs of the staff and teachers were simply not sustainable under the current economical conditions. The management made a tough decision to sell ILI and close the Halifax campus and only keep the Vancouver campus which is more marketable and does not carry such high overhead costs. The Vancouver campus is to test the company's new digital curriculum and will be used as a show case and further test and refine the curriculum before the company tries to market overseas.

The Company's results for 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 filed under the Company's profile on SEDAR.

Sale of ILI

On October 23, 2015, the Company entered into a share purchase agreement to sell all of the issued and outstanding securities of International Language Institute Ltd. to an arm's-length third party in consideration for $102. The operations of ILI have been classified as discontinued operations as at September 30, 2015.

Assets that are held for disposal are classified as discontinued operations and are valued at the lower of their carrying amounts and fair value less costs to sell. The Company presents assets and liabilities associated with assets held for sale separately from the Company's other assets and liabilities. A discontinued operation is a component of the Company that either has been disposed of, or is classified as held for sale. Net income (loss) of the discontinued operations with gain or loss recognized on disposal are combined and presented in the statement of comprehensive income (loss) and cash flows are to be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Company. International Language Institute Ltd. meets the criteria to be classified as assets held for sale and discontinued operations as of September 30, 2015 and therefore, assets and liabilities of International Language Institute Ltd. have been classified as assets and liabilities held for sale and the results of operations of International Language Institute Ltd. for all periods have been classified as discontinued operations.

Results of Operations

During the year ended at September 30, 2015, the Company incurred a net loss of $1,571,288. The Company incurred $78,428 for professional fees related to a purchase of a new school in Vancouver and with respect to the going public process. The professional fees are higher than would typically be incurred due to the purchase of ILI and EC, with operations in Halifax, and the opening of a Vancouver campus.

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.

On August 7, 2015, the Company gave employment termination notices to the General Manager and the Marketing Manager at the Halifax campus, who were past owners of ILI and EC. Also, the Cloud Nine ESL Program team members have been reduced to only two full time staff in October 2015. This will reduce the wages by roughly $15,000 per month starting in November 2015.

During the year ended September 30, 2015, the Company recognized impairment of the goodwill of $290,575. At the time when ILI and EC were purchased by Anterior Education Systems, ILI and EC had working capital deficit of $216,348 and goodwill was determined to be $290,575. Please refer to note 4 of the Year End Financials as of September 30, 2014. In July of 2015, the company ceased to operate EC and in October 2015, ILI was sold to an arm's length third party for a nominal amount. Since the company was no longer operating ILI and EC in Halifax, the company determined that the goodwill was impaired by the entire amount.

Pursuant to the plan of arrangement, BHR acquired all of the 10,000 issued and outstanding shares of AEH in consideration for $10,000. At the date of acquisition, the only assets of AEH consisted of an intercompany amount due to BHR. As a result, AEH had no assets at the date it was acquired by BHR, resulting in an acquisition date loss of $10,000.

Direct costs consist of the following:

		Total
Teacher wages	$	432,430
Agency commissions		147,223
Homestay fees		78,011
Books and materials		14,465
Transportation and other		76,047
IELTS Testing fees		278,942
Total	$	1,027,118

Fourth Quarter events

The digital curriculum development peaked during the period from June 2015 to August 2015 when we had a team of 6 to 8 full time staff working on the curriculum (roughly $25,000 to $30,000 in wages for the digital curriculum staff. This was the result of positive pilot projects that the Company signed after the trip to Brazil.

The curriculum development slowed down in September 2015 when the Company decided to close down operations in Halifax and decided to sell ILI to a third party vendor.

Since the closure of IELTS test centres in the Atlantic region and in Vancouver, the Company had no revenues from the IELTS tests. For comparison, EC had testing revenue of $185,636 (roughly 630 IELTS tests) for the same period in 2014.

In the quarter ended September 30, 2015, the Company recognized impairment of the goodwill of $290,575. In July of 2015, the company ceased to operate EC and in October 2015, ILI was sold to an arm's length third party for a nominal amount of $102. Since the company was no longer operating ILI and EC in Halifax, the company determined that the goodwill was impaired by the entire amount.

Liquidity and Capital Resources

As at September 30, 2015, the Company had cash of $12,873 and a working capital deficit of $252,443, including deferred revenue of $107,148. The changes in cash and working capital are attributed to the fact that the Company closed a financing by way of a private placement.

In October 2015, subsequent to year end, the Company raised a total of $500,000 by way of private placements.

On November 2, 2015, the Company entered into an agreement with a 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 September 30, 2015, the Company was indebted to the Chief Executive Officer ("CEO") of the Company for $21,500 (2014 - $Nil), which is non-interest bearing, unsecured and due on demand. During the year ended September 30, 2015, the Company paid salaries and benefits of $108,300 (2014 - $Nil) to the CEO of the Company. During the year ended September 30, 2015, the Company paid rent of $Nil (2014 - $5,000) to the company where the CEO was a common director.

At September 30, 2015, the Company was indebted to a former director of the Company for $100,000, secured by a promissory note dated September 30, 2014. The loan is non-interest bearing and was initially due and payable on September 30, 2015. Subsequent to September 30, 2015, the Company entered into an agreement to extend the maturity date to December 1, 2016.

At September 30, 2015, the Company was indebted to the chairman and director of the Company for $26,000 secured by a promissory note dated August 12, 2015. The loan is non-interest bearing and was due and payable on September 12, 2015. Pursuant to the terms of the promissory note, a one-time interest charge of $1,000 is payable as the loan amount was not repaid by the original maturity date.

During the year ended September 30, 2015, the Company granted 750,000 stock options with a fair value of $61,810 to directors and officers of the Company.

During the year ended September 30, 2015, the Company paid salaries and benefits of $78,750 (2014 - $34,291) to the Chief Financial Officer ("CFO") of the Company. At September 30, 2015, the Company owed $Nil (2014 - $3,150) to the company controlled by the CFO of the Company, which has been included in accounts payable and accrued liabilities.

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

Summary of key management personnel compensation for the year ended September 30, 2015:

	2015	**2014**
Wages and salaries	$187,050	$35,116
Share-based compensation	$61,810	Nil
Totals:	$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 has incurred a net loss in the year in the amount of $1,571,288. As at September 30, 2015, the Company had a working capital deficit of $252,443 and an accumulated deficit of $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.

In October 2015, subsequent to year end, the Company raised a total of $500,000 by way of private placements.

Contractual Obligations

The Company is committed to minimum rental amounts for a long-term, three-year lease commencing March 1, 2015 for campus premises in Vancouver, BC. The lease payment pursuant to the lease is $10,872/month.

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 September 30, 2015, the Company had a cash balance of $12,873 to settle current liabilities of $473,164 including deferred revenue of $107,148. All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

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 of the Company's significant accounting policies is included in Note 2 to the audited financial statements for the year ended September 30, 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 year ended September 30, 2015. The Company is not subject to externally imposed capital requirements.

Subsequent Events

On October 1, 2015, the Company issued 500,000 units at $0.25 per unit pursuant to a private placement for proceeds of $125,000. Each unit includes one common share and one share purchase warrant exercisable at $0.50 per share exercisable for a term of 18 months. Concurrently with the closing of the private placement, the Company paid a finder's fee, $10,000 in cash and 40,000 brokers warrants exercisable to purchase one common share at a price of $0.50 per share for 18 months.

On October 16, 2015, the Company issued 100,000 units at $0.25 per unit pursuant to a private placement for proceeds of $25,000. Each unit includes one common share and one share purchase warrant exercisable at $0.50 per share for a term of 18 months. Concurrently with the closing of the private placement, the Company paid a finder's fee, $2,000 in cash and 8,000 brokers warrants exercisable to purchase one at a price of $0.50 per Share for 18 months.

On October 23, 2015, the Company entered into Share Purchase Agreement to sell all of the issued and outstanding securities of International Language Institute Ltd. to an arms-length third party in consideration for $102.

On November 6, 2015, the Company entered into a letter agreement with a lender pursuant to which the lender agreed to extend the maturity date for certain indebtedness owed by the Company to the lender to December 1, 2016 in exchange for an additional payment of $20,000.

On November 19, 2015, the Company issued 1,000,000 units at $0.25 per unit pursuant to a private placement for proceeds of $250,000. Each unit includes one common share and one share purchase warrant exercisable at $0.50 per share for a term of 18 months.

On November 23, 2015, the Company issued 500,000 units at $0.20 per unit pursuant to a private placement for proceeds of $100,000. Each unit includes one common share and one share purchase warrant exercisable at $0.40 per share for a term of 24 months.

Outstanding Share Data

The Company's authorized capital is an unlimited number of common shares without par value. The following table summarizes the outstanding share capital as of December 23, 2015:

Issued and outstanding common shares at December 23, 2015: **29,309,210**

Total Warrants outstanding at December 23, 2015, detailed below: **6,556,730**

	Number of Warrants	Exercise price	Expiry date
	1,075,000	$0.10	February 25, 2016
	625,000	$0.10	March 6, 2016
	525,000	$0.10	April 15, 2016
	375,000	$0.10	April 17, 2016
	736,600	$0.50	April 22, 2017
	1,072,130	$0.50	May1, 2017
	540,000	$0.50	April 1, 2017
	108,000	$0.50	April 16, 2017
	1,000,000	$0.50	May 19, 2017
	500,000	$0.40	November 23, 2017
Total:	**6,556,730**		

	Number of Options	Exercise price	Expiry date
Total Options outstanding:	**1,200,000**	$0.10	April 2, 2020
Fully diluted at December 23, 2015	37,065,940		

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.

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 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 of the Company 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 December 23, 2015, the Board of Directors of the Company has approved the disclosure contained in this Management's Discussion and Analysis.

SCHEDULE E

Annual Financial Statements of EC for the Financial Year Ended September 30, 2014 and Balance Sheet of EC for the Financial Year Ended September 30, 2013

[see attached]

ENGLISH CANADA WORLD ORGANIZATION INC.

FINANCIAL STATEMENTS

For the year ended September 30, 2014

(Expressed in Canadian Dollars)

(Unaudited)

ENGLISH CANADA WORLD ORGANIZATION INC.
Statement of Financial Position
(Expressed in Canadian dollars)
(Unaudited)

		September 30, 2014		September 30, 2013
ASSETS				
Current				
Cash	**$**	**5,518**	$	186,202
Accounts receivable		**1,900**		-
Due from related company (Note 3)		**124,932**		-
Prepaid expenses		**1,400**		5,231
		133,750		191,433
Non-current assets				
Bond deposit (Note 4)		**28,072**		28,072
Property and equipment (Note 5)		**4,971**		4,971
		33,043		33,043
TOTAL ASSETS	**$**	**166,793**	$	224,476
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	**$**	**96,123**	$	152,068
Deferred revenue		**68,218**		66,865
TOTAL LIABILITIES		**164,341**		218,933
EQUITY				
Share capital (Note 6)		**1**		1
Retained earnings		**2,451**		5,542
TOTAL EQUITY		**2,452**		5,543
TOTAL LIABILITIES AND EQUITY	**$**	**166,793**	$	224,476

"Michael Hunter" (Signed)
Director

The accompanying notes are an integral part of these financial statements.

ENGLISH CANADA WORLD ORGANIZATION INC.
Statement of Operations and Comprehensive Loss
(Expressed in Canadian dollars)
(Unaudited)

	September 30, 2014	September 30, 2013
Revenue		
Tuition fees	**$ 23,397**	$ 73,213
Testing and other income	**715,200**	533,672
	738,597	606,885
Direct costs	**(641,487)**	(480,137)
	97,110	126,748
Expenses		
Bank charges	**19,447**	15,641
Occupancy costs	**38,620**	33,300
Office and administration	**-**	790
Professional fees	**500**	-
Salaries and benefits	**41,634**	77,588
	(100,201)	(127,319)
Net loss and comprehensive loss for the year	**$ (3,091)**	$ (571)

The accompanying notes are an integral part of these financial statements.

ENGLISH CANADA WORLD ORGANIZATION INC.
Statement of Changes in Equity
(Expressed in Canadian dollars)
(Unaudited)

	Share capital						
	Number		**Amount**		**Retained earnings**		**Total**
Balance at September 30, 2012	100	$	1	$	6,113	$	6,114
Net loss for the year	-		-		(571)		(571)
Balance at September 30, 2013	100		1		5,542		5,543
Net loss for the year	-		-		(3,091)		(3,091)
Balance at September 30, 2014	**100**	**$**	**1**	**$**	**2,451**	**$**	**2,452**

The accompanying notes are an integral part of these financial statements.

ENGLISH CANADA WORLD ORGANIZATION INC.
Statement of Cash Flows
(Expressed in Canadian dollars)
(Unaudited)

	September 30, 2014	September 30, 2013
Cash flows from operating activities		
Net loss for the year	**$ (3,091)**	$ (571)
Changes in non-cash working capital items:		
Accounts receivable	**(1,900)**	-
Due from related company	**(124,932)**	-
Prepaid expenses	**3,831**	(3,981)
Accounts payable and accrued liabilities	**(55,945)**	82,805
Deferred revenue	**1,353**	(12,843)
	(180,684)	65,410
Cash flows from investing activities		
Purchase of property and equipment	**-**	(1,304)
Bond deposit	**-**	(472)
	-	(1,776)
(Decrease) increase in cash	**(180,684)**	63,634
Cash, beginning of year	**186,202**	122,568
Cash, end of year	**$ 5,518**	$ 186,202

The accompanying notes are an integral part of these financial statements.

1. GENERAL INFORMATION AND GOING CONCERN

a) Description of the business

English Canada World Organization Inc. (the "Company") was incorporated in the Province of Nova Scotia on November 27, 2003, under the Business Corporations Act of Nova Scotia.

The Company provides the Certificate in Teaching English to Speakers of Other Languages ("CELTA") teacher training and operates the International English Language Testing System ("IELTS") test centres in Atlantic Canada.

The Company's registered and records office is located at 1190 Barrington Street, Halifax, Nova Scotia.

a) Going concern

The Company has incurred a net loss in the year in the amount of $3,091 (2013 - $571). As at September 30, 2014, the Company had a working capital deficiency of $30,591 (2013 - $27,500). 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 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 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.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance and basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The presentation and functional currency of the Company is the Canadian dollar.

In the opinion of the Company's management, all adjustments considered necessary for a fair presentation have been included.

b) Use of judgments and estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates, assumptions and judgments that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from management's best estimates as additional information becomes available in the future.

Significant areas requiring the use of estimates include the useful life and amortization of property and equipment, and deferred income tax asset valuation allowances. Judgements made by management in the application of IFRS that have a significant effect on the financial statements include the factors supporting the capitalization and recoverability of property and equipment.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. The Company's financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. The classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics, and the Company's designation of such instruments.

Classification choices for financial assets include:

- Fair value through profit or loss ("FVTPL"): measured at fair value with changes in fair value on re-measurement recorded in net income or loss;
- Held to maturity: non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity and are recorded at amortized cost with gains or losses recognized in net income or loss in the period that the asset is derecognized or impaired;
- Available-for-sale: non-derivative financial assets not classified in any other category; and are measured at fair value with changes in fair value recognized in other comprehensive income for the current period until realized through disposal or impairment; and
- Loans and receivables: non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are measured at amortized cost with gains and losses recognized in net income or loss in the period that the financial asset is derecognized or impaired.

Financial instruments include cash, accounts receivables, due from related company, bond deposit and accounts payable and accrued liabilities. Cash is classified as FVTPL, accounts receivable and due from related company are classified as loans and receivable, bond deposit is classified as held to maturity, and accounts payable and accrued liabilities are classified as other financial liabilities.

d) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, and deposits held with Canadian registered banks with original maturities of three months or less.

e) Property and equipment

Property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Where the costs of certain components of property and equipment are significant in relation to the total cost of the item, they are accounted for and depreciated separately. Depreciation expense is recognized in earnings using the depreciation rates as follows:

- Furniture and office equipment - 5 years straight-line basis

The Company reviews the depreciation rate and the depreciation method at each reporting date.

f) Revenue recognition

Revenue from a contract to provide service is recognized by reference to the stage of completion of the contract. Tuition fee revenue, net of discounts, is recognized on a straight-line basis over the period of instruction. Tuition fees paid in advance of course offerings, net of related discounts, are recorded as deferred revenue and recognized in revenue over the period of instruction.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Loss per share

Basic earnings (loss) per common share is computed by dividing their respective net income (loss) by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per common share is determined by adjusting the respective weighted average number of common shares outstanding for the effects of all potentially diluted common share options and warrants. In a loss year, potentially dilutive common shares are excluded from the loss per share calculation as the effect would be anti-dilutive.

h) Comprehensive loss

Comprehensive loss is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in the statement of operations. The Company does not have items representing comprehensive income or loss.

i) Income taxes

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the date of financial position.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset deferred tax assets against deferred tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

j) New standards and interpretations

Certain pronouncements have been issued by the IASB, or the IFRS Interpretations Committee that are mandatory for accounting years beginning on or after January 1, 2016 or later years.

- New standard IFRS 9, "*Financial Instruments*"
- New standard IFRS 15, *"Revenue from Contracts with Customers"*

The Company has not early adopted these revised standards and is currently assessing the impact that these standards will have on the financial statements. Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

3. DUE FROM RELATED COMPANY

During the year ended September 30, 2014, the Company incurred $Nil (2013 - $33,300) in expenses to International Language Institute Ltd. ("ILI"), a company with common management, in consideration for rent.

At September 30, 2014, the amount of $124,932 is due from (2013 - $59,709 due to) ILI. The amount is non-interest bearing, unsecured and due on demand.

(Expressed in Canadian dollars)

4. BOND DEPOSIT

As at September 30, 2014, the Company has a bond held at the Canadian Imperial Bank of Commerce as a letter of credit for the beneficiary of the Minister of Finance for the Province of Nova Scotia on behalf of the Private Career Colleges Division in the amount of $28,072 (2013 - $28,072).

5. PROPERTY AND EQUIPMENT

Cost	**Furniture and office equipment**
Balance, September 30, 2012	$ 3,667
Additions	1,304
Balance, September 30, 2013	4,971
Additions	-
Balance, September 30, 2014	$ 4,971

Net carrying amounts	**Furniture and office equipment**
Balance, September 30, 2013	$ 4,971
Balance, September 30, 2014	**$ 4,971**

6. SHARE CAPITAL

a) Authorized

Unlimited number of common shares without par value.

b) Issued and outstanding

There are 100 common shares issued and outstanding. There were no share transactions during the years ended September 30, 2014 and 2013.

7. RISK MANAGEMENT

i) Risk management overview

The Company's activities are exposed to a variety of financial risks such as credit risk, liquidity risk, and market risk. This section contains information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. The Company employs risk management strategies and policies to ensure that any exposures to risk are in compliance with the Company's business objectives and risk tolerance levels.

7. RISK MANAGEMENT (continued)

ii) Fair value of financial instruments

The fair values of cash, accounts receivable, due from related company, bond deposit, and accounts payables and accrued liabilities approximate their carrying values due to the short term maturity of those instruments. The fair value of the bond deposit approximates its carrying value as it bears interest at market floating rates or fixed rates consistent with market rates for similar instruments.

The significance of inputs used in making fair value measurements are examined and classified according to a fair value hierarchy. Fair values of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly, and are based on valuation models and techniques where the inputs are derived from quoted indices. Level 3 valuations are based on inputs that are unobservable and significant to the overall fair value measurement.

iii) Credit risk

Credit risk is the risk of an unexpected loss if a third party to a financial instrument fails to meet its contractual obligations. The Company's exposure to credit risk includes cash, accounts receivables and due from related company. The Company's maximum exposure to credit risk is equal to the carrying value of the financial assets. The Company reduces its credit risk by: maintaining its bank accounts at large financial institutions, and monitoring accounts receivables and due from related company. The Company has no past due or impaired receivables.

iv) Liquidity risk

Liquidity risk is the risk of the Company's inability to meet its financial obligations as they come due. As at September 30, 2014, the Company had a working capital deficiency of $30,591 (2013 - $27,500). The Company is focused on generating more revenue and is actively pursuing additional sources of financing to ensure that it can meet its on-going operating requirements and planned capital expenditures. The Company has no current commitments for capital expenditures as of the date hereof. There is no assurance that the Company will be successful in these initiatives.

v) Currency risk

The Company's functional currency is the Canadian dollar. A portion of the Company's direct costs are paid in British pounds, and the Company is thus exposed to risk of major changes in British pounds relative to the Canadian dollar.

vi) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments. It arises when the Company invests in interest bearing financial instruments. As at September 30, 2014 and 2013, the Company did not have any financial instruments subject to significant interest rate risk.

vii) Capital management

The Company defines capital as share capital and deficit. The Company's objective is to ensure that capital resources are readily available to meet its approved capital expenditure program and to take advantage of attractive acquisition opportunities as they arise.

The Company sets its capital structure in proportion to risk. The Company continually monitors economic and general business conditions and makes adjustments accordingly to maintain or adjust the capital structure. For the capital structure, the Company may purchase and cancel shares pursuant to issuer bids or issue new shares. In order to maximize on-going development efforts, the Company does not pay out dividends.

(Expressed in Canadian dollars)

8. COMMITMENTS

As at September 30, 2014, the Company had one lease for school facilities.

The future minimum lease payments as of September 30, 2014 under the lease is as follows:

2015	$15,502
2016	15,734
2017	16,428
2018	16,659
2019	17,353
	$81,676

9. INCOME TAXES

The tax effect (computed by applying the Canadian federal and provincial statutory rate) of the significant temporary differences, which comprise deferred tax assets and liabilities, are as follows:

	2014		2013	
Canadian statutory income tax rate		**31%**		31%
Income tax recovery at statutory rate	**$**	**(958)**	$	(177)
Tax effect of:				
Change in valuation allowance		**958**		177
Income tax provision	**$**	**–**	$	–

SCHEDULE F

Annual Financial Statements of BHR from December 3, 2014 to March 31, 2015

[see attached]

BHR CAPITAL CORP.

FINANCIAL STATEMENTS

PERIOD FROM DECEMBER 3, 2014 (DATE OF INCORPORATION) TO MARCH 31, 2015

(Expressed in Canadian Dollars)

MORGAN & COMPANY LLP
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
BHR Capital Corp.

Report on the financial statements

We have audited the accompanying financial statement of BHR Capital Corp., which comprise the statement of financial position as at March 31, 2015 and the statements of operations and comprehensive loss, changes in equity and cash flows for the period from incorporation on December 3, 2014 to March 31, 2015, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of BHR Capital Corp., as at March 31, 2015, and its financial performance and its cash flows for the period from incorporation on December 3, 2014 to March 31, 2015 in accordance with International Financial Reporting Standards.

Emphasis of Matter

We draw attention to Note 1 of the financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

Vancouver, Canada

"Morgan & Company LLP"

May 29, 2015

Chartered Accountants

P.O. Box 10007, Pacific Centre, 1488 - 700 West Georgia Street, Vancouver, BC, Canada V7Y 1A1
Telephone: 604.687.5841 Fax: 604.687.0075 Email: info@morgancollp.com

BHR CAPITAL CORP.
STATEMENT OF FINANCIAL POSITION

		As At March 31, 2015
ASSETS		
Current		
Loan receivable (Note 4)	$	225,000
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$	8,041
Loan payable (Note 5)		27,500
Total Liabilities		35,541
EQUITY		
Share capital (Note 6)		227,000
Deficit		(37,541)
Total Equity		189,459
Total Liabilities and Equity	$	225,000

Going Concern (Note 1)

Approved and authorized for issuance by the Board of Directors on May 29, 2015.

"Brian Gusko"
Director

The accompanying notes are an integral part of these financial statements.

BHR CAPITAL CORP.
STATEMENT OF OPERATIONS AND COMPREHENSIVE LOSS

		Period from December 3, 2014 (Date of Incorporation) To March 31, 2015
Expenses		
Professional fees	**$**	**37,541**
Net loss and comprehensive loss for the period	**$**	**37,541**
Basic and Diluted Loss per Share	**$**	**0.01**
Weighted average number of common shares outstanding		**5,063,983**

The accompanying notes are an integral part of these financial statements.

BHR CAPITAL CORP.
STATEMENT OF CHANGES IN EQUITY
For the period from December 3, 2014 (Date of Incorporation) to March 31, 2015

	Number of shares	Share capital	Deficit	Total equity
Balance, December 3, 2014	-	$ -	$ -	$ -
Shares issued for cash	8,400,000	225,000	-	225,000
Shares issued for finders fees	550,000	11,000	-	11,000
Shares issued for debt	100,000	2,000	-	2,000
Share issuance costs – finders fees	-	(11,000)	-	(11,000)
Net loss for the period	-	-	(37,541)	(37,541)
Balance, March 31, 2015	**9,050,000**	**$ 227,000**	**$ (37,541)**	**$ 189,459**

The accompanying notes are an integral part of these financial statements.

BHR CAPITAL CORP.
STATEMENT OF CHASH FLOWS

		Period from December 3, 2014 (Date of Incorporation) To March 31, 2015
CASH FLOWS PROVIDED BY (USED IN):		
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	$	(37,541)
Non cash items:		
Shares issued for debt		2,000
Changes in non-cash working capital items:		
Accounts payable and accrued liabilities		8,041
Net cash used in operating activities		(27,500)
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan receivable		(225,000)
Loan payable		27,500
Issuance of shares		225,000
Net cash provided by financing activities		27,500
CHANGE IN CASH DURING THE PERIOD		-
CASH, beginning of the period		-
CASH, end of the period	$	-

The accompanying notes are an integral part of these financial statements.

1. ORGANIZATION AND NATURE OF OPERATIONS AND GOING CONCERN

BHR Capital Corp. (the “Company”) was incorporated under the Business Corporations Act of British Columbia on December 3, 2014. The Company’s registered and records office is located at 1820 – 925 West Georgia Street, Vancouver, BC, V6B 2E2. The Company is in the business of acquiring and consolidating independent English as a Second Language (“ESL”) schools.

These financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to raise adequate financing and to complete its Plan of Arrangement transaction. To date, the Company has not generated any revenues. These factors create material uncertainty that may cast significant doubt about the Company being able to continue as a going concern. These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

2. BASIS OF PRESENTATION

Statement of compliance:

The financial statements have been prepared in compliance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

Basis of measurement:

These financial statements have been prepared on a historical cost basis except for financial instruments which may be measured at fair value.

Functional and presentation currency:

These financial statements are presented in Canadian dollars. This is the functional currency of the Company.

2. BASIS OF PRESENTATION (Continued)

Use of estimates and judgments:

The preparation of financial statements requires management to make judgments, estimates and assumptions based on current available information that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual results could differ from those estimated. By their very nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of future periods could be material.

3. SIGNIFICANT ACCOUNTING POLICIES

a) **Cash and cash equivalents**

Cash included cash on hand and held at financial institutions. As at March 31, 2015, the Company had no cash equivalents.

b) **Financial assets**

All financial assets are initially recorded at fair value, adjusted as applicable, and designated upon inception into one of the following four categories: held-to-maturity, available-for-sale, loans and receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit and loss.

Financial assets classified as loans and receivables and held-to-maturity are initially recognized at fair value less directly attributable transaction costs. After initial recognition these financial assets are subsequently measured at amortized cost using the effective interest method less any allowance for impairment. The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period.

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary or a significant or prolonged decline in the fair value of that investment below its cost.

Transaction costs associated with FVTPL and available-for-sale financial assets are expensed as incurred while transaction costs associated with other financial assets are included in the initial carrying amount of the asset.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Financial assets (Continued)

Financial assets are assessed at each reporting date in order to determine whether objective evidence exists that the assets are impaired as a result of one or more events which have had a negative effect on the estimated future cash flows of the asset.

If there is objective evidence that a financial asset has become impaired, the amount of the impairment loss is calculated as the difference between its carrying amount and the present value of the estimated future cash flows from the asset discounted at its original effective interest rate. Impairment losses are recorded in earnings. If the amount of the impairment loss decreases in a subsequent period and the decrease can be objectively related to an event occurring after the impairment was recognized, the impairment loss is reversed up to the original carrying value of the asset. Any reversal is recognized in earnings.

c) **Financial liabilities:**

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method.

Financial liabilities classified as FVTPL include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives are also classified as FVTPL unless they are designated as effective hedging instruments. Transaction costs on financial liabilities classified as FVTPL are expensed as incurred. Fair value changes on financial liabilities classified as FVTPL are recognized through the statement of comprehensive income (loss).

d) De-recognition of financial assets and liabilities:

Financial assets are de-recognized when the rights to receive cash flows from the assets expire, or the financial assets are transferred and the Company has transferred substantially all the risks and rewards of ownership of the financial assets. On de-recognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that has been recognized directly in equity is recognized in profit or loss.

Financial liabilities are de-recognized when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability de-recognized and the consideration paid and payable is recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Foreign currencies:

The financial statements for the Company are prepared using its functional currency. Functional currency is the currency of the primary economic environment in which an entity operates. The presentation and functional currency of the Company is Canadian dollars.

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary assets and liabilities that are stated at fair value are translated using the historical rate on the date that the fair value was determined. All gains and losses on translation of these foreign currency transactions are charged to the statement of operations.

f) Income tax:

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the statement of comprehensive income except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition or goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax benefit will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will bel available against which the temporary difference can be utilized. Deferred tax assets are reviewed each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) Share capital:

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares are recognized as a deduction from equity.

h) Equity units:

Proceeds received on the issuance of units comprised of common shares and warrants are allocated on the residual value method where proceeds are allocated to the common shares up to their fair value and the balance, if any, to the reserve for the warrants.

i) Accounting standards issued but not yet adopted:

The Company has assessed the impact of these new standards on the financial statements and has determined that the application of these standards will not have a material impact on the results and the financial position of the Company.

New Standard IFRS 9 "Financial Instruments"

This new standard is a partial replacement of IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets.

4. LOAN RECEIVABLE

The loan receivable is to Anterior Education Systems Ltd. and is repayable on demand, security bears no interest, and is unsecured.

5. LOAN PAYABLE

The loan payable is unsecured, bears no interest, has no fixed terms of repayment, and is due on demand. On April 22, 2015, the full balance of the loan was repaid by the Company.

6. SHARE CAPITAL

(a) Common shares

i) Authorized

The Company's share capital consists of an unlimited number of common shares without par value.

ii) Issued

- On December 3, 2014, the Company issued 3,000,000 common shares at $0.005 per share for proceeds of $15,000;
- On February 10, 2015, the Company issued 2,550,000 common shares at $0.02 per share for proceeds of $51,000. Of this $51,000, $11,000 is reflected in share issuance costs as finders fees;
- On February 12, 2015 the Company issued 100,000 common shares at $0.02 per share to settle $2,000 worth of debt relating to professional fees;
- On February 25, 2015, the Company issued 2,150,000 units at $0.05 per unit for total proceeds of $107,500. Each unit is comprised of one common share and ½ share purchase warrant which can be redeemed at $0.10 for a one year period.
- On March 6, 2015, the Company issued 1,250,000 units at $0.05 per unit for total proceeds of $62,500. Each unit is comprised of one common share and one ½ share purchase warrant which can be redeemed at $0.10 for a one year period.

(b) Warrants

A summary of the status of the Company's warrants as at March 31, 2015, and changes during those years is presented below:

	Number of Warrants	**Weighted Average Exercise Price**
Outstanding, beginning of period	-	$ 0.10
Issued	1,700,000	$ 0.10
Outstanding, end of period	1,700,000	$ 0.10

As at March 31, 2015, the following warrants are outstanding and exercisable:

Number of Warrants	**Exercise Price**	**Expiry Date**
1,075,000	$ 0.10	February 25, 2016

625,000	$	0.10	March 6, 2016
1,700,000			

7. MANAGEMENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Discussions of risk associated with financial assets and liabilities are detailed below:

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. It arises from cash held with banks and financial institutions. The maximum exposure to credit risk is equal to the carrying value of the financial assets.

Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk that the Company will realize such a loss is limited because of the short-term nature of the Company's interest bearing financial instruments.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company manages liquidity risk by maintaining sufficient cash to enable settlement of transactions as they come due. Management monitors the Company's contractual obligations and other expenses to ensure adequate liquidity is maintained.

8. RELATED PARTIES

During the period ended March 31, 2015, the Company issued 500,000 shares at a price of $0.005 and 250,000 shares at a price of $0.02 to a director of the Company.

During the period ended March 31, 2015, the Company issued 250,000 shares at a price of $0.02 to a close family member of a director of the Company.

During the period ended March 31, 2015, the Company issued 375,000 shares at a price of $0.005, 250,000 shares at a price of $0.02 and 150,000 shares at a price of $0.05 to a former officer of the Company. The Company also issued 275,000 shares with a value of $5,500 for finders fees relating to the February issuance to this former officer.

9. INCOME TAX

Statutory tax rate	26%
Expected income tax (recovery)	$ (10,000)
Deferred tax asset not recognized	10,000
	$ -

Deferred tax assets have not been included on the statement of financial position as the generation of future taxable income is uncertain.

The Company has non-capital losses of approximately $38,000 available for deduction against future taxable income. These losses, if not utilized, will expire through 2035.

10. SUBSEQUENT EVENTS

a) Subsequent to March 31, 2015, an Arrangement Agreement was entered into among Cervantes Capital Corp. ("Cervantes"), Anterior Education Systems Ltd. ("Anterior") and the Company.

The parties have agreed to reorganize their business by way of a plan of arrangement to be carried out under the provisions of the Business Corporations Act (British Columbia). As part of the Arrangement Agreement, the following transactions will take place:

i) the Company shall acquire all of the 10,000 issued and outstanding Anterior common shares from Cervantes (the "purchase shares") for the purchase price of $10,000, of which $2,000 is to be paid within a week of signing and $8,000 to be paid on close;

ii) the Company and Anterior shall exchange securities on a 1:1 basis, such that all the outstanding common shares of the BHR shall be exchanged by their holders for the same amount of shares of Anterior;

iii) Anterior shall issue 300,000 Anterior shares to Cervantes (the "Anterior Exchange Shares") in exchange for 1,000 common shares of Cervantes (collectively the "Exchange Shares"), by which Anterior will become a reporting issuer;

iv) the Anterior Exchange Shares shall be issued as a dividend to the Cervantes shareholders as of the Cervantes record date on a pro rata basis; and

v) the Purchase Shares shall be cancelled.

b) Subsequent to March 31, 2015, the Company issued 1,050,000 units at a price of $0.05 per unit. Each unit consists of one common share and one share purchase warrant which can be redeemed at $0.10 for a one year period.

c) On April 17, 2015, The Company issued 750,000 units at a price of $0.05 per unit. Each unit consists of one common share and one share purchase warrant which can be redeemed at $0.10 for a one year period.

d) On April 22, 2015, the Company issued 1,270,000 units at a price of $0,25 per unit. Each unit consists of one common share and one share purchase warrant which can be redeemed at $0.50 for a two year period. 101,600 finders warrants were issued as part of this financing.

<u>SCHEDULE G</u>

CLOUD NINE EDUCATION GROUP LTD.
(formerly, Anterior Education Holdings Ltd.)
(the "**Company**")

AUDIT COMMITTEE CHARTER

This Charter establishes the composition, the authority, roles and responsibilities and the general objectives of the Company's audit committee, or its Board of Directors in lieu thereof (the "**Audit Committee**"). The roles and responsibilities described in this Charter must at all times be exercised in compliance with the legislation and regulations governing the Company and any subsidiaries.

1. Composition

(a) *Number of Members*. The Audit Committee must be comprised of a minimum of three directors of the Company.

(b) *Chair*. If there is more than one member of the Audit Committee, members will appoint a chair of the Audit Committee (the "**Chair**") to serve for a term of one (1) year on an annual basis. The Chair may serve as the chair of the Audit Committee for any number of consecutive terms.

(c) *Financial Literacy.* All members of the audit committee will be financially literate as defined by applicable legislation. If upon appointment a member of the Audit Committee is not financially literate as required, the person will be provided with a period of three months to acquire the required level of financial literacy.

2. Meetings

(a) *Quorum*. The quorum required to constitute a meeting of the Audit Committee is set at a majority of members.

(b) *Agenda*. The Chair will set the agenda for each meeting, after consulting with management and the external auditor. Agenda materials such as draft financial statements must be circulated to all Audit Committee members for members to have a reasonable amount of time to review the materials prior to the meeting.

(c) *Notice to Auditors*. The Company's auditors (the "Auditors") will be provided with notice as necessary of any Audit Committee meeting, will be invited to attend each such meeting and will receive an opportunity to be heard at those meetings on matters related to the Auditor's duties.

(d) *Minutes*. Minutes of the Audit Committee meetings will be accurately recorded, with such minutes recording the decisions reached by the committee.

3. Roles and Responsibilities

The roles and responsibilities of the Audit Committee include the following:

<u>External Auditor</u>

The Audit Committee will:

(a) *Selection of the external auditor*. Select, evaluate and recommend to the Board, for shareholder approval, the Auditor to examine the Company's accounts, controls and financial statements.

(b) *Scope of Work*. Evaluate, prior to the annual audit by the Auditors, the scope and general extent of the Auditor's review, including the Auditor's engagement letter.

(c) *Compensation*. Recommend to the Board the compensation to be paid to the external auditors.

(d) *Replacement of Auditor*. If necessary, recommend the replacement of the Auditor to the Board of Directors.

(e) *Approve Non-Audit Related Services*. Pre-approve all non-audit services to be provided by the Auditor to the Company or its subsidiaries.

(f) *Responsibility for Oversight*. Must directly oversee the work of the Auditor. The Auditor must report directly to the Audit Committee.

(g) *Resolution of Disputes*. Assist with resolving any disputes between the Company's management and the Auditors regarding financial reporting.

<u>Consolidated Financial Statements and Financial Information</u>

The Audit Committee will:

(a) *Review Audited Financial Statements*. Review the audited consolidated financial statements of the Company, discuss those statements with management and with the Auditor, and recommend their approval to the Board.

(b) *Review of Interim Financial Statements*. Review and discuss with management the quarterly consolidated financial statements, and if appropriate, recommend their approval by the Board.

(c) *MD&A, Annual and Interim Earnings Press Releases, Audit Committee Reports*. Review the Company's management discussion and analysis, interim and annual press releases, and audit committee reports before the Company publicly discloses this information.

(d) *Auditor Reports and Recommendations*. Review and consider any significant reports and recommendations issued by the Auditor, together with management's response, and the extent to which recommendations made by the Auditor have been implemented.

<u>Risk Management, Internal Controls and Information Systems</u>

The Audit Committee will:

(a) *Internal Control*. Review with the Auditors and with management, the general policies and procedures used by the Company with respect to internal accounting and financial controls. Remain informed, through communications with the Auditor, of any weaknesses in internal control that could cause errors or deficiencies in financial reporting or deviations from the accounting policies of the Company or from applicable laws or regulations.

(b) *Financial Management*. Periodically review the team in place to carry out financial reporting functions, circumstances surrounding the departure of any officers in charge of financial reporting, and the appointment of individuals in these functions.

(c) *Accounting Policies and Practices*. Review management plans regarding any changes in accounting practices or policies and the financial impact thereof.

(d) *Litigation*. Review with the Auditors and legal counsel any litigation, claim or contingency, including tax assessments, that could have a material effect upon the financial position of the

Company and the manner in which these matters are being disclosed in the consolidated financial statements.

(e) *Other.* Discuss with management and the Auditors correspondence with regulators, employee complaints, or published reports that raise material issues regarding the Company's financial statements or disclosure.

Complaints

(a) *Accounting, Auditing and Internal Control Complaints*. The Audit Committee must establish a procedure for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal controls or auditing matters.

(b) *Employee Complaints*. The Audit Committee must establish a procedure for the confidential transmittal on condition of anonymity by the Company's employees of concerns regarding questionable accounting or auditing matters.

4. Authority

(a) *Auditor*. The Auditor, and any internal auditors hired by the company, will report directly to the Audit Committee.

(b) *Independent Advisors*. The Audit Committee may, at the Company's expense and without the approval of management, retain the services of independent legal counsels and any other advisors it deems necessary to carry out its duties and set and pay the monetary compensation of these individuals.

5. Reporting

The Audit Committee will report to the Board on:

(a) the Auditor's independence;

(b) the performance of the Auditor and any recommendations of the Audit Committee in relation thereto;

(c) the reappointment and termination of the Auditor;

(d) the adequacy of the Company's internal controls and disclosure controls;

(e) the Audit Committee's review of the annual and interim consolidated financial statements;

(f) the Audit Committee's review of the annual and interim management discussion and analysis;

(g) the Company's compliance with legal and regulatory matters to the extent they affect the financial statements of the Company; and

(h) all other material matters dealt with by the Audit Committee.

CERTIFICATE OF THE COMPANY

Dated: June 30, 2016

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario.

"Michael Hunter"	*"Peter Lee"*
MICHAEL HUNTER	PETER LEE
President, CEO & Director	CFO

ON BEHALF OF THE BOARD OF DIRECTORS

"Brian Gusko"	*"Kulwant Sandher"*
BRIAN GUSKO	KULWANT SANDHER
Director	Director

CERTIFICATE OF THE PROMOTERS

Dated: June 30, 2016

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario.

"Michael Hunter"	*"Brian Gusko"*
MICHAEL HUNTER	BRIAN GUSKO
President, CEO & Director	Director

CERTIFICATE OF THE AGENT

Dated: June 30, 2016

To the best of our knowledge, information and belief, this prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario.

MACKIE RESEARCH CAPITAL CORPORATION

"Mark Redcliffe"

Mark Redcliffe
Executive Vice President and Director