Management's Discussion and Analysis
For the Nine Months Ended June 30, 2017
Prepared as of August 25, 2017

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 August 25, 2017, should be read together with the financial statements for the nine months ended June 30, 2017, 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* (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 CNC

Corporate Development 2017

Over the past fiscal quarter, the Company has undertaken a series of actions to increase revenues, create a stronger sales platform and execute agreements which add credibility and certainty with prospective clients situated outside Canada. The Company also hired a team of curriculum sales and marketing team in Mexico to market its Cloud Nine ESL program.

The Company also executed an agreement with a prestigious Canadian private school which will generate revenues for the Cloud Nine ESL Program and create additional credibility to assist in selling the program outside of Canada.

Selected Financial Information

A summary of selected financial information for the three months ended June 30, 2017, and June 30, 2016, is as follows:

	Three months ended June 30, 2017	Three months ended June 31, 2016
Total assets	$ 526,071	$ 562,964
Intangible assets	255,354	247,524
Working capital (deficiency)	(546,831)	(265,147)
(Deficiency)/Equity	(465,032)	(176,431)
Total Revenue	313,572	138,799
Direct costs	303,285	174,690
General and administrative expenses	282,930	137,423
(Loss)/Income before other expenses	(272,930)	(174,359)

The curriculum was available for sale at June 30, 2017, and the company recognized amortization expense of $15,000 for the three months and $41,000 for the nine months ended June 30, 2017.

Summary of Quarterly Results

	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Three months ended	June 30, 2017	March 31, 2017	December 31, 2016	September 30, 2016	Jun 30, 2016	March 31, 2016	December 31, 2015	September 30, 2015
Tuition fees	$268,527	$ 219,493	$ 115,489	$ 208,431	$ 126,392	$ 180,845	$ 208,392	$ 222,569
Testing and other income	30,045	13,920	16,056	8,056	4,507	34,912	31,645	59,811
Curriculum sales	15,000	-	-	10,900	7,900	-	-	-
Direct costs	303,285	277,5,31	200,764	479,618	174,690	220,746	201,952	274,075
G&A Expenses	282,930	170,609	154,168	77,253	138,468	195,418	204,358	291,592
Other expenses	17,030	-	242	2,758	1,000	230	157,104	296,575
Foreign exchange gain	-	-	-	18,298	-	-	-	-
Comprehensive loss	289,673	234,727	223,629	227,544	175,359	200,637	386,134	463,358
Loss per share-basic and diluted	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01

The Company's main business development objective is the advancement and subsequently the sale of its Cloud Nine ESL Program. Although the Vancouver campus generates tuition revenue from the students who come from overseas, this will be not the main revenue going forward.

The Company's results for the period ended June 30, 2017, 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 audited consolidated financial statements of the Company and notes attached thereto for the three months ended June 30, 2017.

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 flipped classroom methodology. For the three months ended June 30, 2017, the company generated $15,000 compared to $7,900 from the same period in 2016 from the sale of its digital curriculum

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 revenue generated from the Vancouver campus will not be the main revenue going forward.

The following table shows the Company's revenue for the three and nine months ended June 30, 2017, as compared to the same period ended June 30, 2016:

		Three months ended June 30,		Nine months ended June 30,	
		2017	2016	2017	2016
Tuition fees	$	268,527	126,392	603,509	515,629
Digital Curriculum sales		15,000	7,900	15,000	7,900
Testing and other income		30,045	4,507	60,020	71,064
	$	313,572	138,799	678,529	594,593

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 homestay fees and activity fees are recognized when earned. Other income is comprised of homestay service fees, administrative fees for ancillary services such as airport transfer, accommodations, travel insurance, textbooks, other course material fees, and application fees. Curriculum fees are fully recognized when institutions or students subscribe as these fees are non-refundable and non-transferrable. The digital curriculum was amortized by $15,000 for the quarter ended June 30, 2017. Total revenue for the quarter ended June 30, 2017, increased to $268,527, from revenue of $115,489 in the first quarter of 2017 and from revenue of $219,493 for second quarter of 2017. The increase in total revenue compared with the second quarter of fiscal 2017 and the first quarter of fiscal 2017 is due to increase in the student enrolments at the Cloud Nine College for the summer period which is the high season.

Direct costs were $303,285 for the three months and $814,580 for the nine months ended June 30, 2017, compared to $220,746 for the three months and $666,519 for the nine months ended June 30, 2016. Direct costs include expenses such as occupancy, direct wages and salaries, agency commissions and other expenses that are directly related to revenues. The increase in direct costs are due to mostly increase in teacher wages as the student enrolment increased in 2017 compared to the same period in 2016.

General and administrative expenses (G&A) were $282,930 for the three months and $594,707 for the nine months ended June 30, 2017, compared to $137,423 for the three months and $469,113 for the nine months in the prior year. The increase in general and administrative expenses compared with the third quarter of fiscal 2016 and the second quarter of fiscal 2017 is due to the consulting fees for investor relations and corporate development contracts totalling $65,740 for the three months and $170,090 for the nine months ended (2016 - $nil) for providing investor relations and corporate development.

For the quarter ended in June 30, 2017, the Company issued 1,800,000 stock options and recognized $149,230 as stock based compensation.

The exchange and filing fees of $5,358 for the three months and $35,961 for the nine months ended June 30, 2017 (2016 – $2,666 for the three months and $11,046 for the nine months) are costs associated with Sedar filing fees and stock transfer agency costs. The increase in expense was related to the filing fees incurred in preparing the private placement and costs incurred from the financing activities.

The professional fees of $3,252 for the three months and $48,832 for the nine months were mostly legal and audit fees (2016 - $24,154 for three months and $103,153 for the nine months related to filing IPO in 2016). The salaries and wages include the wages for management and all other direct wages and salaries are classified as direct costs.

For the three and nine months ended June 30, 2017, and 2016:

		Three months ended		Nine months ended	
General and administrative expenses		2017	2016	2017	2016
Investor relations	$	65,740	-	170,090	-
Depreciation		1,200	1,600	2,400	3,400
Regulatory and other filing fees		5,358	2,666	35,961	11,046
Insurance		1,400	1,200	6,910	6,912
Marketing and advertising		7,015	21,102	28,062	44,682
Professional fees		3,252	24,154	48,832	103,153
Salaries and wages		49,735	72,663	153,222	299,920
Stock option expense		149,230	-	149,230	-
	$	282,930	137,423	594,707	469,113

Third Quarter events

The Company's focus in the third quarter of 2017 was to establish sales and marketing of its digital curriculum in Mexico and in Canada. The Company generated $15,000 in curriculum sales from a Canadian Institution that implemented the Cloud Nine ESL program at its summer camp program.

Liquidity and Capital Resources

As at June 30, 2017, the Company had cash of $52,306 and negative working capital of $546,831 which includes deferred revenue of $99,492, shareholder loans of $216,059 and convertible debenture of $300,000.

For the three months ended June 30, 2017, the Company raised a total of $201,008 and for the nine months ended June 30, 2017, the Company raised a total of $684,102 (2016 - $457,000) net of share issuance costs through the issuance of its common shares by private placements.

On July 5, 2017, the Company raised a total of $150,000 through the issuance of unsecured convertible debentures and is working on raising up to $1.4M, maturing in 18 months after closing of the private placement. From and after the date of issue of the debentures until the maturity date, the debentures will be convertible into common shares of Cloud Nine at the option of the holder at a conversion price of $0.14 per share. Interest on the debentures shall be paid semi-annually in arrears at an interest rate of 12 per cent per annum.

On April 22, 2016, the Company signed a 10% secured convertible debenture agreement with a shareholder in the amount of $300,000. The convertible debenture is due on October 22, 2016, 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.

Upon issuance of the Debenture, the Company recorded a liability of $298,000. The liability component is being accreted using the effective interest rate method. The amount was calculated using a discount rate of 12%. The estimated fair value of the holders' option to convert the debenture into common shares in the amount of $2,000 has been separated from the fair value of the liability and is included in equity. During the three months ended December 31, 2016, the Company recognized accretion of the discount on the convertible debenture of $242. At June 30, 2017, the carrying value of the convertible debenture was $300,000. On July 7, 2017, the Company repaid $75,000 to the Holder and is in negotiation with the Holder on revising the terms of the convertible debenture agreement. As at June 30, 2017, the Company accrued an interest expense of $17,272 related to the convertible debenture.

Related Party Transactions

The Company did not incur any directors' fees in 2017 (2016 – Nil).

At June 30, 2017, the Company was indebted to the Chief Executive Officer ("CEO") of the Company for $83,085 (September 30, 2016 - $nil), which is non-interest bearing, unsecured and due on demand.

At June 30, 2017, 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.

At June 30, 2017, the Company was indebted to a director of the Company for $26,000 (September 30, 2016 - $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 June 30, 2017, the Company was indebted to a director of the Company for $3,750 (September 30, 2016 - $3,750). The amount is unsecured and was due on June 30, 2017.

During the nine months ended June 30, 2016, the Company paid salaries and benefits of $90,000 (2016 - $60,000) to the CEO of the Company, and $67,500 (2016 - $67,500) to the Company controlled by the Chief Financial Officer ("CFO") of the Company.

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.

On July 13, 2017, the Company announced a non-brokered private placement of unsecured convertible debentures in the principal amount of up to $1.4-million, maturing in 18 months after closing of the private placement.

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 3-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 June 30, 2017, the Company had a cash balance of $52,306 to settle current liabilities of $813,156 including deferred revenues $99,492, shareholder loans $216,059, and convertible debenture $300,000. Trade and other payables are due within the next 12 months.

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 has 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 Nine ESL Program could reach the market before its own; that similar products may be developed after the Cloud Nine ESL Program which may include features more appealing to customers; and that other products competing with the Company's Cloud Nine ESL Program may use advanced technology 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 the level of interest generated in the Cloud Nine ESL Program and thus limit the potential revenues to be generated by the Cloud Nine 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. 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 September 30, 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 its 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 June 30, 2017. The Company is not subject to externally imposed capital requirements.

Subsequent Events

On July 5, 2017, the Company announced a non-brokered private placement of unsecured convertible debentures in the principal amount of up to $1.4-million, maturing in 18 months after closing of the private placement.

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 August 25, 2017:

	Number of shares	Exercise price	Expiry date
Issued and outstanding common shares at August 25, 2017	34,355,981		
Warrants outstanding	2,710,921	$0.25-0.50	August 17, 2017 to May 19, 2019
Options outstanding	820,000	$ 0.10	April 2, 2020
	1,800,000	$ 0.14	April 4, 2022 to July 22, 2022
Fully diluted at August 25, 2017	39,686,902		

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 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 August 25, 2017, the Board of Directors of Cloud Nine Education Group Ltd. has approved the disclosure contained in this MD&A.