CLOUD NINE EDUCATION GROUP LTD.

Management's Discussion and Analysis
For the Three months Ended December 31, 2017
Prepared as of February 23, 2018

Contact Information
Cloud Nine Education Group Ltd. (the "Company")
110-668 Seymour Street, Vancouver
Vancouver, B.C. V6B 3K4

Telephone: (604) 669-2930

General

The following discussion and analysis, prepared as of February 23, 2018 should be read together with the financial statements for the three ended December 31, 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 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 110, 668 Seymour Street, Vancouver, British Columbia, V6B 3K4.

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

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 2017, 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.

Overview

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". To effectively sell into the large ESL market Cloud Nine's go to market strategy includes partnering with worldwide and regional distributors that have strong contacts in the education market space, with a focus on the Asia-Pacific countries. In November 2017 the company signed up a worldwide distributor, Magic Lantern Media, that markets multi-media content and digital education products around the world. Cloud Nine has trained Magic Lantern Media's sales team on the company's products and has provided marketing material for their company. Magic Lantern Media has started marketing the company's digital curriculum in Canada. They have also introduced Cloud Nine to their partner and part owner, China's largest press company, with whom we are now having continued product and partner discussions. Magic Lantern Media will follow this with introductions to partners in Australia, New Zealand, Mexico, Brazil and Europe. Cloud Nine will be partnering with one of our Canadian College users to market the digital curriculum to their affiliate in Vietnam and to their ESL school contacts throughout Vietnam. We will continue to expand our partner program over the year.

Being able to increase clientele is predicated on being able to provide prospective (and current) clients with a curriculum which offers more than a general English studies program. To this end the Company is engaged in three activities. The first is to expand the general English curriculum so that instructors who work for our client institutions have some ability to customize the program they teach to their students. This involves developing additional components to the curriculum. Instructors would then have five mandatory components and would be able to select three of six more components to create their course.

A second feature is to develop material for learners in grades 7, 8 and 9. This would complement the program which was created for adult learners (defined as 16 years and older) and enable Cloud Nine to offer its curriculum to high schools in addition to the universities, colleges and technical institutes which current make up our targeted clientele.

The Company owns and operates a traditional ESL school based in Vancouver, BC. The ESL school will be used to test, refine, and showcase its digital “Cloud Nine ESL Program” for clients and prospects around the world..

Curriculum Content Delivery and IP Development.

The expansion of the Cloud Nine ESL Program will be complemented with a migration to a new platform through which the curriculum will be delivered our clients.

The entity selected by Company management is able to provide a platform to countries where the current google option is not supported. The new content delivery provider will also be tasked with maintaining a 24/7 technical support feature.

In addition to providing a more robust platform for delivery of the Cloud Nine ESL Program, the selected provider will be working with the Company to develop intellectual property (IP) that enhance the user experience, continue to reinforce Cloud Nine’s position as a leader in the ESL industry, and create significant barriers to entry for competitors seeking to enter the digital ESL curriculum space based on the success.

Selected Financial Information

A summary of selected financial information for the year ended December 31, 2017 are as follows:

	Three months ended December 31, 2017	Three months ended December 31, 2016	Year Ended September 30, 2016	Three months ended December 31, 2015
Total assets	$ 554,472	$ 451,530	$ 517,313	614,767
Intangible assets	236,739	265,529	274,172	222,766
Working capital (deficiency)	(569,316)	(568,644)	(748,856)	(109,952)
(Deficiency)/Equity	(731,842)	(434,870)	(530,334)	(44,794)
Revenue	276,671	131,545	821,980	240,037
(Loss)/Income before other expenses	(128,436)	(223,388)	(780,523)	(166,273)
Other expenses	(6,400)	(242)	(146,394)	(157,104)
(Loss)/Income from continuing operations	(128,436)	(223,629)	(926,917)	(323,377)
(Loss)/Income from discontinued operations	-	-	(62,757)	(62,757)

As at December 30, 2017 the Company had cash of $77,245 and working capital deficit of $569,316. The company revenues both from it’s Vancouver campus and the digital curriculum sales have maintained the relatively the same amount as in 2016. The Company continues to have cash flow challenges and have focused on raising capital.

The Company’s main business development objective is the advancement and subsequently the sale of its Cloud Nine ESL Program in Canada and internationally.

SUPPLEMENTARY FINANCIAL INFORMATION
Quarterly Results of Operations

The following tables present our unaudited consolidated quarterly results of operations for each of our last eight quarters. This data has been derived from unaudited consolidated financial statements that have been prepared on the same basis as the annual audited consolidated financial statements and, in our opinion, include all normal recurring adjustments necessary for the fair presentation of such information. These unaudited quarterly results should be read in conjunction with our audited consolidated financial statements.

	1st Quarter	4th Quarter	3rd Quarter	2nd Quarter
Three months ended	Dec 31, 2018 (Unaudited)	September 30, 2017 (Unaudited)	Jun 30, 2017 (Unaudited)	March 31, 2017 (Unaudited)
Tuition fees	$ 248,174	$ 155,472	$ 268,527	$ 219,493
Other income	27,297	22,083	30,045	13,920
Curriculum sales	1,200	-	15,000	-
Direct costs	209,570	379,670	303,285	277,531
Expenses	189,137	163,511	282,930	170,609
Other expenses	6,400	6,218	17,030	-
Foreign exchange gain	-	3,682	-	-
Comprehensive loss	128,436	392,715	289,673	234,727
Loss per share-basic and diluted	.01	0.01	0.01	0.01

	1st Quarter	4th Quarter	3rd Quarter	2nd Quarter
Three months ended	Dec 31, 2016 (Unaudited)	September 30, 2016 (Unaudited)	Jun 30, 2016 (Unaudited)	March 31, 2016 (Unaudited)
Tuition fees	$ 115,489	$ 208,431	$ 126,392	$ 180,845
Testing and other income	16,056	8,056	4,507	34,912
Curriculum sales	-	10,900	7,900	-
Direct costs	200,764	479,618	174,690	220,746
Expenses	154,168	77,253	138,468	195,418
Other expenses	242	2,758	1,000	230
Impairment of goodwill	-	-	-	-
Foreign exchange gain	-	18,298	-	-
Comprehensive loss	223,629	227,544	175,359	200,637
Loss from discontinued operations		-	-	-
Loss per share-basic and diluted	0.01	0.01	0.01	0.01

The Company's results for the period ended December 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

Seasonality

We do not believe that seasonality has an effect on the digital curriculum sales but the Vancouver campus has high student intakes during the summer and winter months when we offer summer and winter camps to overseas students.

Financial information about geographic areas

The equipment of the Company to operate the operations of the Company is located in Vancouver, Canada. The revenue from digital curriculum is worldwide, with the majority from Canada and Mexico for 2017.

Dividend Policy

We have not declared or paid any cash dividends on our common stock since our inception. Any future payment of dividends will depend upon our results of operations, financial condition, cash requirements and other factors deemed relevant by our Board of Directors

Revenue

For the quarter ended December 30, 2017, the Company generated $1,200 from the sale of its digital curriculum ($15,000 for the year ended December 30, 2017 compared to $Nil for the three months ended December 31, 2016).

The following table shows the Company's revenue for the three months ended December 31, 2017, as compared to the three months ended December 31, 20176

Revenue for the year ended December 31,		2017	2016
Tuition fees	$	248,174	115,489
Digital Curriculum sales		1,200	-
Testing and other income		27,297	16,056
	$	276,671	131,545

The Company continues to develop, refine and add more modules to its digital curriculum. The Company is negations with curriculum resellers both in Canada and internationally.

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. For the three months ended December 31, 2017, the company generated its revenue from the subscription of its digital curriculum in the amount of $1,200 compared to $nil for the same period ended December 31, 2016. The Company is currently focused on adding more components to its curriculum to be more marketable to markets including China and South Korea. The Company is in discussions with resellers to market its ESL curriculum in Canada and internationally. The Company continues to develop its digital curriculum and market both internationally and in Canada.

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. For the three months ended December 31, 2017, the digital curriculum was amortized by $15,000 (2016 - $13,600).

Vancouver campus revenue

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".

Total revenue from tuition fees increased $248,174 for the three months ended December 31, 2017 compared to $115,489 for the same period in 2016 due to the increase in student registrations at the Vancouver campus from winter camps.

Direct costs

Direct costs were $209,016 for the three months ended December 31, 2017 compared to $200,764 for the three months ended December 30, 2016. Direct costs include expenses such as occupancy, teachers' salaries, agency commissions and other expenses that are directly related to revenues.

		Three months ended December 31, 2017	Three months ended December 31, 2016
Direct wages and benefits	**$**	**98,054**	88,576
Commission and promotion costs		**36,499**	43,744
Other (a)		**49,334**	29,391
Occupancy costs (b)		**8,492**	33,506
Bank and credit card charges (b)		**1,637**	5,547
Total	**$**	**209,016**	200,764

In October 2017, the Vancouver campus relocated its campus to a new location to 110-668 Seymour Street, Vancouver, which can accommodate up to 150 students compared to previous location which had capacity of 80 students.

General and administrative expenses

General and administrative expenses consist primarily of premises costs for office, legal and professional fees, investor relations, and other general corporate and office expenses.

General and administrative expenses were $189,137 for the three months ended December 31, 2017, an increase of $34,969 from the previous year $154,168. The increase in general and administrative expenses were caused by the following items;

- For the three months ended December 30, 2017, Investor relations fees decreased by $11,050 compared to the same period in 2016 due to higher investor relations contracts in 2016.

- For the three months ended December 30, 2017, Professional fees decreased by $10,295 compared to the same period in 2016 since 2016 had higher level of legal fees related to the Company going public in December 2016.

- For the three months ended December 30, 2017, Regulatory and filing fees decreased by $16,395 compared to the same period in 2016 due to the initia;l public offering process during the corresponding period.

- For the three months ended December 30, 2017, marketing fees increased by $7,421 compared to the same period in 2016 since in 2017, the Company had more student recruitment than in 2016.

Net loss was $128,436 for the Fourth Quarter of 2017 compared to a net loss of $223,629 for the Fourth Quarter of 2016. Net loss was impacted by a $73,258 increase in revenues.

Other Income and Expenses

The Company accrued interest expense of $6,400 on the convertible debentures (2016 - $242).

Liquidity and Capital Resources

As at December 31, 2017 the Company had cash of $77,245 and negative working capital of $569,316. This compares to cash of $24,982 and negative working capital of $528,644 in 2016.

During the three months ended December 31, 2017, cash of $68,763 was used in operating activities compared to using cash of $277.596 in the prior year.

Net cash generated by financing activities was $129,298 in the three months ended December 31, 2017, which compares to cash generated by financing activity of $778,337 in fiscal 2016. The Company raised a total of $129,298 through the issuance of its common shares via exercise of options. The decrease in financing activity was due the Company completing its IPO in December 2016.

Cash of $6,712 used in investing activities in the three month ended December 31, 2017, compared to $4,357 in the prior year. This increase in cash used in investing activities is due to the increase in curriculum development costs.

Our future capital requirements will depend on a number of factors, including costs associated with the further development of the digital curriculum, the costs of sales and marketing overseas, renovation of its new Vancouver campus.

Related Party Transactions

During the three ended December 31, 2016, the Company paid or accrued salaries and benefits of $30,000 to the CEO of the Company, $30,000 (2015 - $30,000) to the COO of the Company and incurred management fees of $22,500 (2016 - $22,500) to a Company controlled by the CFO of the Company. The Company was indebted to the CEO for $25,000 (2016 - $Nil), $5,000 to the COO (2016 - $Nil) and $1,500 to a Company controlled by the CFO (2016 - $Nil).

At September 30, 2017, the Company was indebted to a former director of the Company for $100,000 (2016 - $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. The Company is in negotiation on revising the terms of the promissory note.

At September 30, 2017, the Company was indebted to a director of the Company for $26,000 (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 December 31, 2017, there was accrued interest of $6,724 (2016 - $3,224).

At December 31, 2017, the Company was indebted to a director of the Company for loan totalling $3,750 (2016 - $3,750). The loans are unsecured, non-interest bearing, and due on demand.

At September 30, 2017, the Company was indebted to the former Chief Executive Officer ("CEO") of the Company for $82,170 (2016 - $Nil), which is non-interest bearing, unsecured and due on demand.

Director fees

The Company did not incur any directors' fees in 2018 (2017 - $Nil).

Going concern

The Company incurred a net loss of $128,436 (2016 - $223,629) during the quarter ended December 31, 2017. As at December 31, 2017, the Company had a working capital deficiency of $569,316 (2016 - $568,644) and an accumulated deficit of $3,840,790 (2016 - $2,816,110). 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.

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. In December 2017, the Company's Vancouver campus signed a new 3 year lease and relocated to 110-668 Seymour Street, Vancouver. The new lease is $13,333 per month starting February 1, 2018.

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.

Audit committee
Our audit committee consists of three directors and reports to the Board of Directors. The audit committee meets regularly throughout the year and approved the financials statements for the three months ended December 31, 2017.

Risks and Uncertainties

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

a) Credit Risk

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

b) Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2017, the Company had a cash balance of $77,245 to settle current liabilities of $887,049 and loan payables of $274,000. 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. 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 year ended September 30, 2017.

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 September 30, 2017. The Company is not subject to externally imposed capital requirements.

Subsequent Events

Subsequent to December 31, 2017, the Company issued 400,000 shares pursuant to the exercise of 400,000 options for gross proceeds of $28,000.

Outstanding Share Data

The Company's authorized capital is unlimited common shares without par value. The following table summarizes the outstanding share capital as of February 23, 2018:

	Number of shares	Exercise price	Expiry date
Issued and outstanding common shares at February 23, 2018	36,907,519		
Warrants outstanding	1,826,921	$0.25-0.50	May 25, 2018 to May 19, 2019
Options outstanding	2,170,000	$0.07-0.13	September 5, 2019 to January 2, 2023
Fully diluted at February 23, 2018	40,904,440		

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 February 23, 2018, the Board of Directors of Cloud Nine Education Group Ltd. has approved the disclosure contained in this MD&A.