CLOUD NINE EDUCATION GROUP LTD.

Management's Discussion and Analysis
For the Year Ended September 30, 2018
Prepared as of January 28, 2019

<u>Contact Information</u>
Cloud Nine Education Group Ltd. (the "Company")
610-700 W. Pender Street, Vancouver
Vancouver, B.C. V6C 1G8

Telephone: (604) 669-9788

General

The following discussion and analysis, prepared as of January 28, 2019 should be read together with the financial statements for the year ended September 30, 2018 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 610, 700 West Pender Street, Vancouver, British Columbia, V6C 1G8.

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

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

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. Magic Lantern Media began marketing the company's digital curriculum in Canada starting February 2018. They have introduced us 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. The company is finalizing a reseller agreement with a company in the Philippines, to market our digital curriculum initially in the Philippines and then Indonesia and Malaysia. Cloud Nine has also signed a referral agreement with Stanstead College, one of our Canadian College users, to market our 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.

Curriculum Content Delivery and IP Development.

The Company will continue to use Google's Cloud suite as the delivery platform for the digital ESL curriculum. Google Classroom is easy, versatile and impactful. The platform enables teachers to add their own multi-media files to Cloud Nine's comprehensive multi-media, digital curriculum to provide superior learning outcomes with audio, video and text files. The company plans on building a stronger relationship with Google by attending their Cloud and Classroom conventions in Silicon Valley. Google has invited Cloud Nine to their Cloud/Suite/Classroom convention in Silicon Valley in April 2019. There we will meet with the heads of the various departments of the products that we use in our digital curriculum to discuss building a stronger partnership and co-marketing opportunities.

Cloud Nine's digital curriculum is currently going through a major update. The five levels of the Common European Framework of Reference (CEFR) guideline, from beginner ESL classes to advanced, that we adhere to will all be updated to increase functionality, provide stronger adherence to CEFR, expand the CELTA teaching methodology for each lesson in the curriculum, and provide more consistency in materials between the 5 levels of the curriculum. The curriculum is being used today with very positive feedback and these updates will provide a world class, industry leading platform for teachers to teach ESL.

Selected Financial Information

A summary of selected financial information for the year ended September 30, 2018 are as follows:

	2018	2017	2016
Total assets	$298,385	$ 390,036	$ 517,313
Intangible assets	186,794	245,027	274,172
Goodwill	-	-	-
Working capital (deficiency)	(611,764)	(593,166)	(748,856)
(Deficiency)/Equity	(599,235)	(796,404)	(530,334)
Revenue	14,160	15,000	821,980
(Loss)/Income before other expenses	(731,174)	(630,809)	(780,523)
(Loss)/Income from continuing operations	(96,011)	(654,299)	(926,917)
(Loss)/Income from discontinued operations	(325,245)	(465,574)	(62,757)

On July 19, 2018, the Company sold its wholly owned subsidiary, Cloud Nine College Ltd. which operated a government accredited ESL school located in Vancouver, Canada, in consideration for $750,000 and recognized a gain of $724,535. The transaction closed on July 19, 2018. In connection with the sale, the Company incurred legal fees of $32,215 and agents' commission of $39,375.

As at September 30, 2018 the Company had cash of $89,161 and working capital deficit of $611,764.
The company's revenues from the digital curriculum sales have maintained the the same amount as in 2017 from the same customers in Canada. 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.

	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
Three months ended	September 30, 2018 (Unaudited)	Jun 30, 2018 (Unaudited)	March 31, 2018 (Unaudited)	Dec 31, 2017 (Unaudited)
Curriculum sales	-	12,400	560	1,200
Direct costs	17,186	30,323	15,344	15,553
Expenses	118,837	237,818	145,022	170,208
Other expenses	-	57,558	21,640	6,400
(Loss)/Income from discontinued operations	(153,577)	(159,264)	(179,952)	47,526
Comprehensive gain/(loss)	510,578	(454,640)	(339,758)	(128,436)
Gain/(loss) per share-basic and diluted	0.1	(0.01)	(0.01)	(0.01)

	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
Three months ended	September 30, 2017 (Unaudited)	Jun 30, 2017 (Unaudited)	March 31, 2017 (Unaudited)	Dec 31, 2016 (Unaudited)
Curriculum sales	-	15,000	-	-
Direct costs	96	19,983	15,154	15,070
Expenses	132,149	250,988	90,671	78,558
Other expenses	9,900	17,030	-	242
Foreign exchange gain	3,682	-	-	-
Loss from discontinued operations	(242,743)	(19,744)	(97,494)	(144,022)
Comprehensive loss	(392,715)	(175,359)	(234,727)	(223,629)
Loss per share-basic and diluted	(0.01)	(0.01)	(0.01)	(0.01)

The Company's results for the period ended September 30, 2018 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.

For the three months ended September 30, 2018 compared to the three months ended September 30, 2017

For the quarter ended September 30, 2018, the Company did not generate any revenue from the sale of its digital curriculum ($14,160 for the year ended September 30, 2018 compared to $15,000 for the year ended September 30, 2017).

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

Net gain was $724,535, which includes a one time gain from the sale of its wholly owned subsidiary, Cloud Nine College Ltd. in July 2018, for the Fourth Quarter of 2018 compared to a net loss of $392,715 for the Fourth Quarter of 2017.

For the three months ended September 30, 2018, Investor relations fees decreased to $24,450 compared to the same period in 2017 - $63,660 since the Company ended several contracts in 2018 and did not renew contracts in 2018.

For the three months ended September 30, 2018, direct costs increased by $17,090 compared to the same period in 2017 since the amortizing cost of its digital curriculum was incurred by its subsidiary which was sold in July 2018.

Results of Operations
Years ended September 30, 2018 and 2017

The following should be read in conjunction with the audited consolidated financial statements of the Company and notes attached thereto for the year ended September 30, 2018.

Seasonality
We do not believe that seasonality has an effect on the digital curriculum sales.

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 Canadian customers for 2018.

Dividend Policy
The Company has 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

Curriculum revenue
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 year ended September 30, 2018, the company generated its revenue from the subscription of its digital curriculum in the amount of $14,160 compared to $15,000 for the year ended September 30, 2017. The Company is in discussions with third party resellers to market its ESL curriculum in Canada and internationally.

The following table shows the Company's revenue for the year ended September 30, 2018, as compared to the year ended September 30, 2017:

Revenue for the year ended September 30,		2018	2017
Digital Curriculum sales	$	14,160	15,000

Direct costs
Direct costs were $68,909 for the year ended September 30, 2018 compared to $68,996 for the year ended September 30, 2017.

For the year ended September 30, 2018, the direct costs included amortization of curriculum for $60,000 compared to $56,000 for the year ended September 2017.

The Company reported a net comprehensive loss of $421,256 for the year ended September 30, 2018, compared to a net comprehensive loss of $1,119,873 for the year ended September 30, 2017.

General and administrative expenses

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

General and administrative expenses increased to $676,425 for the year ended September 30, 2018, an increase of $99,612 from the previous year of $576,813. The Company incurred $106,540 for Investor relation expenses compared to $233,750 for the year ended September 30, 2017. The Company ended several Investor relation contracts in 2018 and incurred less investor relation activities in 2018 compared to 2017.

The professional fees for the year ended September 30, 2018 were $52,361 (2017 - $64,823); the decreased is due to lower legal fees incurred during the year caused by the Company not requiring legal services during the period.

The exchange and filing fees for the year ended September 30, 2018 decreased to $21,634 compared to $36,839 for the corresponding year ended September 30, 2017. The reduction in exchange and filing fees was caused by a lower volume of private placements issued during the period.

The share-based payments for the year ended September 30, 2018 were $198,000 (2017 - $164,700); these related to the fair market value of the stock options granted in 2018. During the year, the Company granted 5,201,538 stock options to the employees and consultant.

The Company accrued an interest expense of $89,372 on the convertible debentures (2017 - $27,172) since the Company signed a second convertible debenture in July 2017.

Liquidity and Capital Resources

As at September 30, 2018 the Company had cash of $89,161 and negative working capital of $611,764. This compares to cash of $23,422 and negative working capital of $593,166 in 2017.

During the year ended September 30, 2018, cash of $721,955 was used in operating activities compared to using cash of $940,346 in the prior year.

Net cash generated by financing activities was $173,550 in the year ended September 30, 2018, which compares to cash generated by financing activity of $990,623 in fiscal 2017. This cash generated by financing activity is due to the cash raised from private placement. For the year ended September 30, 2018, the Company raised a total of $250,000 net of share issuance costs through the issuance of its common shares via non-brokered private placements and raised a total of $157,300 from exercise of options from its employees and consultants. The Company repaid $8,750 of shareholder loans and repaid $225,000 of its convertible debenture in July 2018.

Cash of $614,144 from investing activities in fiscal 2018, compared to $26,855 used in the prior year. In July 2018, the Company received $621,506 net of expenses from the sale of its wholly owned subsidiary, Cloud Nine College Ltd. The Company incurred less curriculum development costs in 2018 - $7,362 compared to 2017 -$26,855.

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.

Related Party Transactions

During the year ended September 30, 2018, the Company paid or accrued salaries and benefits of $125,000 (2017 - $Nil) to the CEO of the Company, and $60,000 (2017 - $110,000) to the COO (former CEO) of the Company and paid management fees of $80,063 (2017 - $84,175) to a Company controlled by the Chief Financial Officer ("CFO") of the Company. At September 30, 2018, the Company was indebted to the former COO (former CEO) of the Company for $45,000 (2017 - $Nil) and indebted to a Company controlled by the CFO for $Nil (2017 - $7,875).

At September 30, 2018, the Company was indebted to a former director of the Company for $100,000 (2017 - $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, 2018, the Company was indebted to a director of the Company, for $26,000 (2017 - $26,000), pursuant to a promissory note dated August 12, 2015. The amount is unsecured and is due on demand. Pursuant to the promissory note, a one-time interest charge of $1,000 is payable as the amount was not paid by the original maturity date on September 12, 2015. In addition, interest of 1% compounded monthly is due on the outstanding principal and interest. At September 30, 2018, the Company recognized accrued interest of $9,522 (2017 - $6,724).

At September 30, 2018, the Company was indebted to the former COO of the Company for a loan of $77,170 (2017 - $82,170), which is non-interest bearing, unsecured and due on demand. Subsequent to the year end, the terms of the loan were revised to bear 5% interest per annum.

At September 30, 2018, the Company was indebted to a director, for a loan of $Nil (2017 - $3,750).

During the year ended September 31, 2018, the Company recorded share-based payments of $59,315 (2017 - $90,570) related to stock options granted to directors and officers of the Company.

Director fees

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

Going concern

The Company has incurred a net loss of $421,256 (2017 - $1,119,873) during the year ended September 30, 2018. As at September 30, 2018, the Company had a working capital deficiency of $611,764 (2017 - $593,166) and an accumulated deficit of $4,133,610 (2017 - $3,717,235). 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 not committed to any long-term contracts.

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 year ended September 30, 2018.

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, 2018, the Company had a cash balance of $89,161 to settle current liabilities of $723,355 and loan payables of $174,265. 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) 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 9 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.

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, 2018.

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, 2018. The Company is not subject to externally imposed capital requirements.

Subsequent Event

In October 2018, the Company issued 450,000 common shares at a deemed price of $0.10 per common share to a former COO to settle outstanding debt of $45,000.

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 January 28, 2019:

	Number of shares	Exercise price	Expiry date
Issued and outstanding common shares at January 28, 2019	40,282,519		
Warrants outstanding	1,435,771	$0.30	May 5, 2019 to May 19, 2019
Options outstanding	3,245,000	$0.07-.14	September 5, 2019 to May 23, 2023
Fully diluted at January 28, 2019	44,963,290		

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 January 28, 2018, the Board of Directors of Cloud Nine Education Group Ltd. has approved the disclosure contained in this MD&A.