CLOUD NINE EDUCATION GROUP LTD.

Management's Discussion and Analysis
For the Period Ended March 31, 2019
Prepared as of May 28, 2019

<u>Contact Information</u>
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General

The following discussion and analysis, prepared as of May 28, 2019 should be read together with the financial statements for the period ended March 31, 2019 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.

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 2019, 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. The company is also in discussions with other groups and teachers in Vietnam to expand our marketing efforts in that country. 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. This involves providing a flexible platform that enables teachers to creatively add to the curriculum using multimedia tools, more comprehensive support for the internationally accepted CEFR standard and more comprehensive support for the CELTA based lesson plans that precede each of the lessons. The company is doing this for each of the current 5 CEFR levels (A1, A2, B1, B2 and C1). This will enable small and large educational institutions to support all levels of ESL courses, from beginners to advanced.

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 period ended March 31, 2019 are as follows:

	Three months ended March 31, 2019	Three months ended December 31, 2018	Three months ended December 31, 2017	Three months ended December 31, 2016
Total assets	$ 164,433	$ 191,035	$ 554,472	$ 451,530
Intangible assets	156,794	171,794	236,739	265,529
Working capital (deficiency)	(757,259)	(655,466)	(569,316)	(568,644)
(Deficiency)	(774,730)	(657,937)	(731,842)	(434,870)
Revenue	-	-	276,671	131,545
(Loss)/Income before other expenses	(109,793)	(103,703)	(128,436)	(223,388)
Other expenses	(7,500)	(7,692)	(6,400)	(242)
(Loss)/Income from continuing operations	(116,793)	(103,703)	(128,436)	(223,629)

As at March 31, 2019 the Company had cash of $7,638 and working capital deficit of $757,260.
The Company continues to have cash flow challenges and have focused on raising capital. On April 3, 2019, the Company closed a non-brokered private placement, issuing a total of 8,640,546 units at 7.5 cents per unit for gross proceeds of $648,040.96.

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.

	2nd Quarter	1st Quarter	4th Quarter	3rd Quarter
Three months ended	March 31, 2019 (Unaudited)	Dec 31, 2017 (Unaudited)	September 30, 2018 (Unaudited)	Jun 30, 2018 (Unaudited)
Curriculum sales	-	-	-	12,400
Direct costs	16,202	18,965	17,186	30,323
Expenses	100,591	77,046	118,837	237,818
Other expenses	7,500	7,692	-	57,558
(Loss)/Income from discontinued operations	-	-	(153,577)	(159,264)
Comprehensive gain/(loss)	(116,793)	(103,703)	510,578	(454,640)
Gain/(loss) per share-basic and diluted	(0.01)	(0.01)	(0.02)	(0.01)

	2nd Quarter	1st Quarter	4th Quarter	3rd Quarter
Three months ended	March 31, 2018 (Unaudited)	Dec 31, 2017 (Unaudited)	September 30, 2017 (Unaudited)	Jun 30, 2017 (Unaudited)
Curriculum sales	560	1,200	-	15,000
Direct costs	15,344	15,553	96	19,983
Expenses	145,022	170,208	132,149	250,988
Other expenses	21,640	6,400	9,900	17,030
Foreign exchange gain	-	-	3,682	-
Loss from discontinued operations	(179,952)	47,526	(242,743)	(19,744)
Comprehensive loss	(339,758)	(128,436)	(392,715)	(175,359)
Loss per share-basic and diluted	(0.01)	(0.01)	(0.01)	(0.01)

The Company's results for the period ended March 31, 2019 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

For the quarter ended March 31, 2019, the Company did not generate any revenue from the sale of its digital curriculum compared to $560 for the quarter ended March 31, 2018.

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

For the three months ended March 31, 2019, Investor relations fees decreased to $9,450 compared to the same period in 2018 - $27,360 since the Company ended several contracts in 2018 and had less investor relations activities compared to 2018.

For the three months ended March 31, 2019, direct costs decreased by $18,965 compared to the same period in 2018 since the Company had less curriculum developers in 2019 compared to 2018.

The following should be read in conjunction with the audited consolidated financial statements of the Company and notes attached thereto for the year ended March 31, 2019.

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.

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 three months ended March 31, 2019, the company generated its revenue from the subscription of its digital curriculum in the amount of $Nil compared to $560 for the same period ended March 31, 2019. 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 three months ended December 31, 2018, as compared to the same period in 2017:

Revenue for the three months ended March 31,		2019	2018
Digital Curriculum sales	$	Nil	560

The Company reported a net comprehensive loss of $220,496 for the six months period ended March 31, 2019, compared to a net comprehensive loss of $468,194 for the six months ended March 31, 2018.

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 decreased to $170,137 for the six months period ended March 31, 2019, a decrease of $170,705 from the same period ended in 2018. The decrease in general and administrative expenses were caused by the following items;

• For the six months ended March 31, 2019, Investor relations fees decreased by $45,270 compared to the same period in 2018 and a decrease of $17,910 compared to the second quarter of fiscal 2018. This decrease was due to less investor relations activities and due to cancellation of several investor relations contracts in 2018.

• For the six months ended March 31, 2019, Professional fees increased by $9,729 compared to the same period in 2018 mainly due to the increase in audit fees in 2019.

• For the six months ended March 31, 2018, marketing fees decreased by $33,675 compared to the same period in 2018 since in 2018, the Company did not have any marketing activities in 2019.

Liquidity and Capital Resources

As at March 31, 2019 the Company had cash of $7,638 and negative working capital of $757,259. This compares to cash of $89,161 and negative working capital of $611,764 as at September 30, 2018.

During the six month ended March 31, 2019, cash of $116,523 was used in operating activities compared to using cash of $243,066 in the prior year.

Net cash generated by financing activities was $35,000 in the six months ended March 31, 2019, which compares to cash generated by financing activity of $246,798 in the same period in March 31, 2018. For the period ended March 31, 2019, the Company raised a total of $45,000 through the issuance of its common shares. The Company repaid $10,000 of shareholder loan in the six months ended March 31, 2019.

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 period ended March 31, 2019, the Company paid or accrued salaries and benefits of $60,000 to the CEO of the Company, paid or accrued management fees of $12,000 (2017 - $22,500) to a Company controlled by the Chief Financial Officer ("CFO") of the Company, and paid or accrued consulting fees of $19,572 to a Company controlled by the Corporate Security of the Company.

At December 31, 2018, the Company was indebted to a former director of the Company for $100,000 (2018 - $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 March 31, 2019, 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 March 31, 2019, the Company recognized accrued interest of $10,309 (2018 - $6,724).

At March 31, 2019, the Company was indebted to the former COO of the Company for a loan of $67,170 (2017 - $5,000), which bears 5% interest per annum. The loan was fully repaid in April 2019.

Director fees

The Company did not incur any directors' fees in 2019 (2018 - $Nil).

Going concern

The Company has incurred a net loss of $220,496 (2018 - $468,194) during the six months ended March 31, 2019. As at March 31, 2019, the Company had a working capital deficiency of $757,259 (2018 - $819,724) and an accumulated deficit of $4,354,106 (2018 - $4,180,548). 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 period ended March 31, 2019.

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, 2019, the Company had a cash balance of $7,638 to settle current liabilities of $764,898. 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 March 31, 2019. The Company is not subject to externally imposed capital requirements.

Subsequent Event

On April 3, 2019, the Company closed a non-brokered private placement, issuing a total of 8,640,546 units at 7.5 cents per unit for gross proceeds of $648,040.96.

On April 16, 2019, the Company granted to certain consultants of the Company, an aggregate of 640,000 incentive stock options to purchase up to a total of 640,000 shares.

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 28, 2019:

	Number of shares	Exercise price	Expiry date
Issued and outstanding common shares at May 28, 2019	16,787,050		
Warrants outstanding	8,640,546	$0.15-$0.30	March 28, 2021
Options outstanding	1,134,000	$0.07-$0.14	September 5, 2019 to May 23, 2023
Fully diluted at May 28, 2019	26,561,596		

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 28, 2019, the Board of Directors of Cloud Nine Education Group Ltd. has approved the disclosure contained in this MD&A.