CLOUD NINE EDUCATION GROUP LTD.

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended September 30, 2019 and 2018

(Expressed in Canadian dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Cloud Nine Education Group Ltd.

Opinion

We have audited the consolidated financial statements of Cloud Nine Education Group Ltd. (the "Company"), which comprise the consolidated statements of financial position as at September 30, 2019 and 2018, and the consolidated statements of operations and comprehensive loss, changes in deficiency and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at September 30, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss of $610,406 during the year ended September 30, 2019 and, as of that date, the Company's current liabilities exceeded its current assets by $401,434. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in the management's discussion and analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

ASK
PO Box 10007, 1630 – 609 Granville Street, Vancouver, British Columbia, Canada V7Y 1A1
Tel: (604) 687 – 5841 Fax: (604) 687 – 0075 Email: info@morgancollp.com
jhi

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Kevin Kwan.

Vancouver, Canada	*"Morgan & Company LLP"*
January 28, 2020	Chartered Professional Accountants

MORGAN
COMPANY LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

CLOUD NINE EDUCATION GROUP LTD.
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

		September 30, 2019		September 30, 2018
ASSETS				
Current				
Cash	$	**227,456**	$	89,161
Marketable securities		**1**		1
Accounts receivable		**-**		22,429
		227,457		111,591
Non-current assets				
Intangible assets (Note 3)		**121,199**		186,794
TOTAL ASSETS	$	**348,656**	$	298,385
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	$	**210,751**	$	246,185
Income taxes payable		**18,140**		-
Loans payable (Note 4)		**126,000**		203,170
Convertible debenture (Note 5)		**274,000**		274,000
		628,891		723,355
Non-current liabilities				
Long-term liabilities (Note 6)		**174,265**		174,265
TOTAL LIABILITIES		**803,156**		897,620
DEFICIENCY				
Share capital (Note 7)		**2,451,016**		1,757,975
Reserves		**1,811,500**		1,749,400
Subscriptions received (Note 7)		**27,000**		27,000
Deficit		**(4,744,016)**		(4,133,610)
TOTAL DEFICIENCY		**(454,500)**		(599,235)
TOTAL LIABILITIES AND DEFICIENCY	$	**348,656**	$	298,385

Going concern (Note 1)
Subsequent events (Note 15)

These consolidated financial statements were authorized for issuance by the Board of Directors on January 28, 2020.

They are signed on behalf of the Board of Directors by:

"Allan Larmour" (Signed)
Director

"Dalton Larson" (Signed)
Director

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

CLOUD NINE EDUCATION GROUP LTD.
Consolidated Statements of Operations and Comprehensive Loss
(Expressed in Canadian dollars)

		Year ended September 30, 2019		Year ended September 30, 2018
Revenue				
Curriculum sales	**$**	**-**	$	14,160
Direct costs (Note 12)		**(72,051)**		(68,909)
		(72,051)		(54,749)
Expenses				
Consulting fees		**20,600**		975
Exchange and filing fees		**41,583**		21,634
Investor relations		**47,880**		106,540
Professional fees		**83,602**		52,361
Salaries and benefits		**224,146**		296,915
Share-based payments (Note 9)		**62,100**		198,000
Travel		**8,744**		-
		488,655		676,425
Loss before other income and expenses and income taxes		**(560,706)**		(731,174)
Other income and expenses				
Gain on sale of subsidiary (Note 13)		**-**		724,535
Interest expense		**(33,053)**		(89,372)
Loss before income taxes		**(593,759)**		(96,011)
Income tax expense		**(16,647)**		-
Loss from continuing operations		**(610,406)**		(96,011)
Loss from discontinued operations (Note 13)		**-**		(325,245)
Net loss and comprehensive loss for the year	**$**	**(610,406)**	$	(421,256)
Basic and diluted loss per share – continuing operations	**$**	**(0.05)**	$	(0.01)
Basic and diluted loss per share – discontinued operations	**$**	**(0.00)**	$	(0.04)
Weighted average number of shares outstanding		**12,572,564**		7,475,071

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

CLOUD NINE EDUCATION GROUP LTD.
Consolidated Statements of Changes in Deficiency
(Expressed in Canadian dollars)

	Share capital			Subscriptions		
	Number	**Amount**	**Reserves**	**received**	**Deficit**	**Total**
Balance at September 30, 2017	6,971,196	$ 1,225,750	$ 1,663,200	$ 27,000	$ (3,712,354)	$ (796,404)
Common shares issued for cash	500,000	250,000	-	-	-	250,000
Shares issued for finder's fee	50,000	-	-	-	-	-
Shares issued for debt	25,000	13,125	-	-	-	13,125
Proceeds from exercise of options	510,308	269,100	(111,800)	-	-	157,300
Share-based payments	-	-	198,000	-	-	198,000
Net loss for the year	-	-	-	-	(421,256)	(421,256)
Balance at September 30, 2018	8,056,504	1,757,975	1,749,400	27,000	(4,133,610)	(599,235)
Common shares issued for cash	8,640,546	648,041	-	-	-	648,041
Shares issued for debt	90,000	45,000	-	-	-	45,000
Share-based payments	-	-	62,100	-	-	62,100
Net loss for the year	-	-	-	-	(610,406)	(610,406)
Balance at September 30, 2019	**16,787,050**	**$ 2,451,016**	**$ 1,811,500**	**$ 27,000**	**$ (4,744,016)**	**$ (454,500)**

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

CLOUD NINE EDUCATION GROUP LTD.
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

		Year ended September 30, 2019		Year ended September 30, 2018
Cash flows from operating activities				
Net loss for the year	**$**	**(610,406)**	$	(421,256)
Items not affecting cash:				
Depreciation of intangible assets		**65,595**		65,595
Gain on sale of subsidiary		**-**		(724,534)
Share-based payments		**62,100**		198,000
Accrued interest expense		**24,278**		26,638
Changes in non-cash working capital items:				
Accounts receivable		**22,429**		142,139
Prepaid expenses		**-**		29,392
Inventory		**-**		3,263
Accounts payable and accrued liabilities		**(14,712)**		7,008
Income taxes payable		**18,140**		-
Deferred revenue		**-**		(48,200)
		(432,576)		(721,955)
Cash flows from investing activities				
Digital curriculum development costs		**-**		(7,362)
Proceeds from sale of subsidiary, net of cash included in subsidiary		**-**		621,506
		-		614,144
Cash flows from financing activities				
Proceeds from issuance of common shares		**648,041**		250,000
Proceeds from exercise of options		**-**		157,300
Repayment of loans payable		**(77,170)**		(8,750)
Repayment of convertible debentures		**-**		(225,000)
		570,871		173,550
Increase in cash		**138,295**		65,739
Cash, beginning of year		**89,161**		23,422
Cash, end of year	**$**	**227,456**	$	89,161
Supplemental cash flow information				
Cash paid for interest	**$**	**33,920**	$	96,488
Non-cash financing activities				
Shares issued for finder's fee	**$**	**-**	$	25,000
Shares issued for debt	**$**	**45,000**	$	13,125

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

1. GENERAL INFORMATION AND GOING CONCERN

a) Description of the business

Cloud Nine Education Group Ltd. (the "Company") was incorporated in the Province of British Columbia on April 14, 2015, under the Business Corporations Act of British Columbia. Effective March 30, 2016, the Company changed its name from Anterior Education Holdings Ltd. to Cloud Nine Education Group Ltd. The Company's principal business focuses on Canadian English as a Second Language ("ESL") education and licensing of its digital curriculum called the Cloud Nine Curriculum to ESL providers including independent schools, universities and high schools. Effective June 10, 2015, the Company completed a Plan of Arrangement with BHR Capital Corp. ("BHR") and Cervantes Capital Corp. ("Cervantes"), whereby the Company became a reporting issuer, and BHR, and its wholly-owned subsidiaries, became wholly-owned subsidiaries of the Company. As the Plan of Arrangement was deemed to be a recapitalization of BHR, these financial statements are presented as a continuation of BHR, in which its assets and liabilities and operations are included in the consolidated financial statements at their historical carrying value. On November 25, 2016, the Company completed its initial public offering (the "Offering") of 407,000 units of the Company at a price of $1.25 per unit for aggregate gross proceeds of $508,750. The common shares of the Company were listed on the Canadian Securities Exchange (the "CSE") on November 24, 2016 and started trading on December 1, 2016, under the symbol "CNI". The Company's registered office is at 610-700 West Pender Street, Vancouver, British Columbia, V6C 1G8.

b) Going concern

The Company incurred a net loss of $610,406 (2018 - $421,256) during the year ended September 30, 2019. As at September 30, 2019, the Company had a working capital deficiency of $401,434 (2018 - $611,764) and an accumulated deficit of $4,744,016 (2018 - $4,133,610). The operating and cash flow results raise uncertainty about the ability of the Company to continue as a going concern.

The continued operations of the Company are dependent on future profitable operations, management's ability to manage costs and the future availability of equity or debt financing. The above facts indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. These consolidated financial statements have been prepared on the basis the Company will operate as a going concern, which contemplates the realization of assets and settlement of liabilities and commitments in the normal course of business. These consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Basis of consolidation

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

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

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

c) Use of judgments and estimates

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

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

d) Financial instruments

IFRS 9 – Financial Instruments ("IFRS 9")

The Company adopted all of the requirements of IFRS 9 Financial Instruments ("IFRS 9") as of October 1, 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward-looking "expected loss" impairment model. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company's accounting policy with respect to financial liabilities is unchanged. As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively, for assets that continued to be recognized at the date of initial application. The change did not impact the carrying value of any financial assets or financial liabilities on the transition date.

The following is the Company's new accounting policy for financial instruments under IFRS 9.

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive (loss) income ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Financial instruments (continued)

The Company completed a detailed assessment of its financial assets and liabilities as at October 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial assets/ liabilities	Original classification IAS 39	New classification IFRS 9
Cash	FVTPL	FVTPL
Marketable securities	Available-for-sale	FVTPL
Accounts receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Loans payable	Other financial liabilities	Amortized cost
Convertible debentures	Amortized cost	Amortized cost

Measurement

Financial assets at FVTOCI

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses recognized in other comprehensive income (loss).

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of loss and comprehensive loss in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive income (loss).

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of loss and comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Financial Instruments and Risk Management (continued)

Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of loss and comprehensive loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income (loss).

Financial liabilities

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statements of loss and comprehensive loss.

e) Cash

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

f) Inventory

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

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

g) Property and equipment

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

- Leasehold improvements – straight-line basis over the lease term

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Intangible assets

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

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

i) Revenue recognition

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

Digital curriculum revenue and other income, which includes internship fees and homestay service, are recognized when earned.

j) Comprehensive loss

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Share capital

i) Non-monetary consideration

Agent's warrants issued as purchase consideration in non-monetary transactions are recorded at fair value determined by management using the Black-Scholes option pricing model. Proceeds from unit placements are allocated between shares and warrants issued using the residual method.

ii) Share-based payments

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

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

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

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

l) Income taxes

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

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

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

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

(Expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Recent accounting pronouncements

Accounting standards adopted during the year:

IFRS 9 – Financial Instruments, Classification and Measurement. IFRS 9 is a new standard on financial instruments that will replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 addresses classification and measurement of financial assets and financial liabilities as well as de-recognition of financial instruments. IFRS 9 has two measurement categories for financial assets: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit or loss. The Company adopted IFRS 9 on October 1, 2018 retrospectively and no differences of any significance have been noted in relation to the adoption of the standard.

IFRS 15 – Revenue from Contracts with Customers. IFRS 15 provides guidance on how and when revenue from contracts with customers is to be recognized, along with new disclosure requirements in order to provide financial statement users with more informative and relevant information. The Company adopted IFRS 15 on October 1, 2018 retrospectively and no differences of any significance have been noted in relation to the adoption of the standard.

Accounting standards issued but not yet effective:

IFRS 16 – Leases. According to IFRS 16, all leases will be on the statement of financial position, except those that meet the limited exception criteria. The standard is effective for annual periods beginning on or after January 1, 2019. The Company has not early adopted IFRS 16 and is currently evaluating the impact, if any, that this standard might have on its consolidated financial statements.

3. INTANGIBLE ASSETS

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

		Digital curriculum
Balance, September 30, 2017	$	245,027
Additions		7,362
Depreciation		(65,595)
Balance, September 30, 2018		186,794
Depreciation		(65,595)
Balance, September 30, 2019	**$**	**121,199**

4. RELATED PARTY TRANSACTIONS

a) During the year ended September 30, 2019, the Company paid or accrued salaries and benefits of \$120,000 (2018 - \$125,000) to the CEO of the Company, and \$Nil (2018 - \$60,000) to the former COO (former CEO) of the Company and paid management fees of \$12,600 (2018 - \$80,063) to a Company controlled by the former CFO of the Company. The Company paid professional fee of \$6,300 (2018 - \$Nil) to a Company controlled by the CFO of the Company. At September 30, 2019, the Company was indebted to the former COO (former CEO) of the Company for \$Nil (2018 - \$45,000).

b) At September 30, 2019, 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.

c) At September 30, 2019, the Company was indebted to a director of the Company for \$26,000 (2018 - \$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, 2019, the Company recognized accrued interest of \$16,585 (2018 - \$9,522).

d) At September 30, 2019, the Company was indebted to the former COO of the Company for a loan of \$Nil (2018 - \$77,170), which was non-interest bearing, unsecured and due on demand. During the year end, the terms of the loan were revised to bear 5% interest per annum and the loan was assigned to the CEO of the Company and the CEO's spouse. The loan was repaid during the year end and the CEO and the CEO's spouse used the funds to participate in a private placement (see note 7 b) i.).

e) During the year ended September 30, 2019, the Company recorded share-based payments of \$Nil (2018 - \$59,315) related to stock options granted to directors and officers of the Company.

5. CONVERTIBLE DEBENTURE

On July 10, 2017, the Company signed a 12% secured convertible debenture agreement with shareholders in the amount of \$274,000. The convertible debentures (the "2017 Debentures") are due on February 28, 2019 and are repayable in full with accrued interest at 12% per annum on maturity. The Holder may at any time during the term convert all or part of the 2017 Debentures into Units at a conversion price of \$0.70 per Unit, where each Unit consists of one common share of the Company. As at September 30, 2019, accrued interest of \$11,636 (2018 - \$10,209) on the Debentures was included in accrued liabilities.

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 \$1.25 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 \$2.50 per share for 18 months. On July 7, 2017, the Company paid back \$75,000 principal and the remaining \$225,000 was due. On July 19, 2018, the Company paid back the full amount of \$225,000 plus accrued interest and the General Security Agreement was released related to the sale of Cloud Nine College Ltd. (see note 13).

6. LONG-TERM LIABILITIES

The Company is in dispute with the British Council as a result of loss of business opportunity and related revenues after the sale of the Company's domain IELTS.ca to the British Council. The Company is currently reviewing legal advice regarding how much monetary compensation the Company should be seeking to meet the requirement of sufficient remedy. In the interim, management is of the opinion that any liability which may exist should be classified as long-term due to the British Council's failure to meet the terms and conditions associated with their acquisition of the IELTS.ca domain from the Company. As at September 30, 2019, $174,265 (2018 - $174,265) were owing to the British Council and the Company does not intend to pay the amounts owing in the next 12 months until the dispute is settled.

7. SHARE CAPITAL

a) Authorized

Unlimited number of common shares without par value.

b) Issued and outstanding

During the year ended September 30, 2019

i. In April 2019, the Company closed a non-brokered private placement, issuing a total of 8,640,546 units at $0.075 per unit for gross proceeds of $648,041. Each Unit consisted of one common share in the capital of the Company (each, a "Share") and two (2) one-half of one transferable common share purchase warrants (each, a "One-Half Warrant" and each whole warrant, a "Warrant"), with each Warrant comprised of two half warrants. The first One-Half Warrant (each, a "Warrant 1") entitles the holder thereof to acquire one Share (each, a "Warrant Share 1") at a price of $0.15 per Warrant Share 1 on or before March 28, 2021. The second One-Half Warrant (each, a "Warrant 2") entitles the holder thereof to acquire one Share (each, a "Warrant Share 2") at a price of $0.30 per Warrant Share 2 on or before March 28, 2021. The CEO, CEO's spouse, and a director of the Company participated in the private placement by purchasing 535,947 Units, 535,933 Units, and 500,000 Units respectively. Proceeds from the private placement will be used for general working capital, corporate and administrative purposes.

ii. On February 20, 2019, the Company consolidated all of its issued and outstanding common shares on the basis of one new common share for every five old common shares. All references to the number of common shares and per common share amounts have been retroactively restated to reflect the common share consolidation.

iii. On October 4, 2018, the Company issued 90,000 shares at a deemed price of $0.50 per common share to a former officer to settle outstanding debt of $45,000.

iv. At September 30, 2019, the Company had received share subscriptions of $27,000 (2018 - $27,000).

During the year ended September 30, 2018

i. On July 19, 2018, the Company issued 500,000 shares in a private placement at $0.50 per share for gross proceeds of $250,000. The Company also issued 25,000 shares at a deemed value of $0.50 per share in order to settle $13,125 in debt. The Company also issued 50,000 shares at a deemed value of $0.50 per share valued at $25,000 as finder's fee.

ii. On May 22, 2018, the Company issued 100,000 shares at $0.30 per share through the exercise of stock options for gross proceeds of $30,000.

iii. On January 12, 2018, the Company issued 80,000 shares at $0.35 per share through the exercise of stock options for gross proceeds of $28,000.

(Expressed in Canadian dollars)

7. SHARE CAPITAL (continued)

b) Issued and outstanding (continued)

iv. On November 28, 2017, the Company issued 130,308 shares at $0.325 and $0.35 per share through the exercise of stock options for gross proceed of $44,300.

v. On October 30, 2017, the Company issued 200,000 shares at $0.275 per share through the exercise of stock options for gross proceeds of $55,000.

8. SHARE PURCHASE WARRANTS

The following table summarizes information about the warrants issued for the year ended September 30, 2019:

	Number of warrants	Weighted average exercise price
Outstanding, September 30, 2017	680,884	$ 1.95
Expired	(393,730)	2.25
Outstanding, September 30, 2018	287,154	1.50
Issued	8,640,546	0.225
Expired	(287,154)	1.50
Outstanding, September 30, 2019	**8,640,546**	**$ 0.225**

As at September 30, 2019, the weighted average contractual life of the share purchase warrants was 1.49 years and the weighted average exercise price was $0.225.

The following table summarizes information about warrants outstanding as at September 30, 2019:

Exercise Price	Expiry date	Warrants outstanding
$0.15	March 28, 2021	4,320,273
$0.30	March 28, 2021	4,320,273
	Total	8,640,546

9. STOCK OPTIONS

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

(Expressed in Canadian dollars)

9. STOCK OPTIONS (continued)

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

	Number of stock options	Weighted average exercise price
Outstanding, September 30, 2017	504,000	$ 0.65
Granted	1,040,308	0.45
Cancelled	(385,000)	0.65
Exercised	(510,308)	0.30
Outstanding, September 30, 2018	649,000	0.55
Granted	640,000	0.145
Cancelled	(155,000)	0.60
Expired	(20,000)	0.70
Outstanding, September 30, 2019	**1,114,000**	**$ 0.318**

The following table summarizes information about options outstanding and exercisable as at September 30, 2019:

Exercise Price	Expiry date	Options outstanding
$ 0.50	April 22, 2020	4,000
$ 0.70	April 4, 2022	75,000
$ 0.70	July 26, 2022	20,000
$ 0.40	November 21, 2022	60,000
$ 0.30	December 8, 2022	100,000
$ 0.50	May 23, 2023	55,000
$ 0.70	May 23, 2023	160,000
$ 0.145	April 16, 2024	640,000
	Total	1,114,000

As at September 30, 2019, the weighted average contractual life of the stock options was 3.99 years and the weighted average exercise price was $0.318.

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

	2019	2018
Risk-free interest rate	**1.66%**	1.65% - 2.28%
Expected life	**5 years**	5 years
Expected volatility	**84%**	88% - 93%

The fair value of stock options granted during the year ended September 30, 2019 was $62,100 (2018 - $198,000).

10. SHARES IN ESCROW

Pursuant to an escrow agreement dated January 21, 2016, 2,245,822 common shares held by directors and officers of the Company were placed in escrow. Pursuant to the agreement, upon the listing date of the common shares on the CSE, 10% of the shares subject to the escrow agreement will be released, and every 6 months thereafter, 15% of the original shares taken to escrow will be released. As at September 30, 2019, 423,457 (2018 – 1,023,770) common shares remain in escrow. Subsequent to the year end, 423,457 common shares were released from escrow.

11. RISK MANAGEMENT

i) Risk management overview

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

ii) Fair value of financial instruments

The fair values of cash, marketable securities, accounts receivable, accounts payables and accrued liabilities, and loans payable approximate their carrying values due to the short term maturity of those instruments.

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

iii) Credit risk

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

iv) Liquidity risk

Liquidity risk is the risk of the Company's inability to meet its financial obligations as they come due. As at September 30, 2019, the Company had a working capital deficiency of $401,434 (2018 - $611,764). The Company is focused on generating more revenue and is actively pursuing additional sources of financing to ensure that it can meet its on-going operating requirements and planned capital expenditures. The Company has no current commitments for capital expenditures as of the date hereof. There is no assurance that the Company will be successful in these initiatives.

v) Currency risk

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

(Expressed in Canadian dollars)

11. RISK MANAGEMENT (continued)

vi) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments. It arises when the Company invests in interest bearing financial instruments. As at September 30, 2019, the Company did not have any financial instruments subject to significant interest rate risk.

vii) Capital management

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

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

12. DIRECT COSTS

	Year ended September 30, 2019	Year ended September 30, 2018
Depreciation of curriculum	**$ 65,595**	$ 65,595
Bank and credit card charges	**616**	571
Other	**5,840**	2,743
Total	**$ 72,051**	$ 68,909

13. DISCONTINUED OPERATIONS

On July 19, 2018, the Company entered into an agreement to sell all of the issued and outstanding securities of Cloud Nine College Ltd. to a related party in consideration for $750,000. 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.

A discontinued operation is a component of the Company that either has been disposed of, or is classified as held for sale. Net income (loss) of the discontinued operations with gain or loss recognized on disposal are combined and presented in the statement of comprehensive income (loss) and cash flows are to be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Company. The results of operations of Cloud Nine College Ltd. for all periods have been classified as discontinued operations.

(Expressed in Canadian dollars)

13. DISCONTINUED OPERATIONS (continued)

Cloud Nine College Ltd.		Year ended September 30, 2019		Year ended September 30, 2018
Revenue				
Tuition fees	$	-	$	668,739
Testing and other income		-		97,621
		-		766,360
Direct costs		-		(1,031,516)
		-		(265,156)
Expenses				
Insurance		-		2,799
Marketing and advertising		-		56,512
Professional fees		-		778
		-		60,089
Net loss and comprehensive loss for the year	$	-	$	(325,245)

14. INCOME TAXES

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

a) Income tax expenses

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

		2019		2018
Statutory tax rate		27%		27%
Income tax recovery at statutory rate		$ (160,000)	$	(113,000)
Increase (reduction) in income taxes:				
Non-deductible items		17,000		(183,000)
Sale of subsidiary		-		665,000
Change in estimate and rate change		(33,353)		136,000
Change in tax assets not recognized		193,000		(505,000)
Total income tax expense	$	16,647	$	–

(Expressed in Canadian dollars)

14. INCOME TAXES (continued)

b) Deferred income taxes

Deferred income taxes result primarily from differences in the recognition of certain revenue and expense items for financial and income tax reporting purposes. The Company has temporary differences between the tax and accounting bases of assets. The temporary differences that give rise to deferred income tax assets (liabilities) at September 30, 2019 and 2018, are as follows:

	2019	2018
Deferred tax assets and liabilities		
Losses carried forward	**$ 696,000**	$ 393,000
Intangible assets and goodwill	**21,000**	116,000
Share issue costs	**24,000**	39,000
Deferred tax asset not recognized	**(741,000)**	(548,000)
Net deferred tax assets (liabilities)	**$ –**	$ –

As at September 30, 2019, the Company has capital losses carried forward of approximately $1,117,000 (2018 – $1,061,000). The company has non-capital losses carried forward of $1,450,000 as at September 30, 2019 (2018 - $592,000). The non-capital losses expire from 2035 to 2039.

15. SUBSEQUENT EVENTS

In October 2019, the Company granted 720,000 incentive stock options (the “Options”) pursuant to its rolling stock option plan, to certain directors, officers, employees and consultants of the Company. The Options are each exercisable at $0.12 for a period of five years expiring on October 25, 2024.

Subsequent to the year end, 70,000 stock options were exercised for gross proceeds of $10,150.