CLOUD NINE EDUCATION GROUP LTD.
Form 51-102F1 Management's Discussion & Analysis
For the Nine months ended June 30, 2020

1.1.1 Date August 27, 2020

Introduction

The following management's discussion and analysis, prepared as of August 27, 2020, is a review of operations, current financial position and outlook for Cloud Nine Education Group Ltd. (the "Company") and should be read in conjunction with the Company's annual audited consolidated financial statements for the year ended September 30, 2019 and the notes thereto. The reader should also refer to the annual audited financial statements for the year ended September 30, 2019. Amounts are reported in Canadian dollars based upon financial statements prepared in accordance with International Financial Reporting Standards. Additional information relevant to the Company's activities can be found on SEDAR at www.sedar.com.

Forward-Looking Statements

Certain statements contained in the following Management's Discussion and Analysis (MD&A) constitute forward-looking statements. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements.

Risks and Uncertainties

A going concern assessment is outlined in Note 1 of the financial statements.

1.2 Overall Performance

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.

The head office and principal address of the Company are located at 610 – 700 West Pender Street, Vancouver, British Columbia, Canada, V6C 1G8.

Overview

The Company's principal business is the development, marketing and sale of its proprietary, cloud-based digital English as a Second Language (ESL) curriculum, designed to be used by teachers to teach beginners to advanced English to students aged 15 years and older. The digital curriculum can be used by universities, schools, and English learning centers to replace or augment textbook learning systems. A digital curriculum has the advantage of supporting a multi-media delivery platform that is much more engaging for both the teacher and the student, and, improves learning outcomes. The ESL market is still a textbook dominated market. However, this is rapidly changing. Market analysts have estimated the ESL market to be in the range of $30 billion to $45 billion in annual revenues and the preferred digital methodology being one that supports teacher lead learning.

As of January 01, 2020, Cloud Nine Education Corp. is restructuring its business operations to facilitate the new environment caused by COVID-19.

The management team has been considering all avenues in ensuring that shareholder value is increased. The intent here is to bring the new revenue streams into Cloud Nine, supporting new capital infusion, thereby increasing shareholder value. The discussions with a new entity were moving along until the COVID-19 pandemic got into full swing in North America. Because of the pandemic, necessary travel required to complete a deal has been suspended and has now delayed our discussions. We are hoping discussions will start again in the September 2020 timeframe. In the meantime, Cloud Nine will continue seeking out other entities and technologies that can be vended into CNI to support continued operations.

Additional information related to the Company is available on SEDAR at www.sedar.com.

Performance Summary

The following is a summary of significant events and transactions that occurred during the 9-months ended June 30, 2020:

Financings

During the 9-months ended June 30, 2020, the Company raised proceeds of $10,150 from the exercise of stock options comprising of the following;

Issuance of Shares	Number of Shares Issued	Cash Proceeds
Stock Options	70,000	$ 10,150

Incentive Stock Options

During the 9-months ended June 30, 2020, the Company granted 720,000 additional stock options with an exercise price of $0.12 per share, which options will expire on October 25, 2024. The following table represents the number of stock options that are outstanding as at June 30, 2020.

Date of Grant	Number of Options	Price Per Option	Expiry Date
July 26, 2017	20,000	$0.70	July 26, 2022
December 8, 2017	100,000	$0.30	December 8, 2022
May 23, 2018	50,000	$0.50	May 23, 2023
May 23, 2018	90,000	$0.70	May 23, 2023
April 16, 2019	570,000	$0.145	April 16, 2024
October 25, 2019	720,000	$0.12	October 25, 2024

1.2 Selected Annual Financial Information

	Year Ended September 30, 2019	Year Ended September 30, 2018
	$	$
Revenue	-	14,160
Gross Profit	(72,051)	(54,749)
Expenses:		
Consulting Fees	20,600	975
Exchange & Filing Fees	41,583	21,634
Insurance	-	-
Investor Relations	47,880	106,540
Professional Fees	83,602	52,361
Salaries & benefits	224,146	296,915
Share-based payments	62,100	198,000
Travel	8,744	-
Subtotal	488,655	676,425
Gain on sale of subsidiary	-	724,535
Interest Expense	(33,053)	(89,372)
Loss from discontinued Operations	-	(325,245)
Net loss and comprehensive loss for the year	(610,406)	(421,256)
Basic & Diluted Loss per Share	(0.05)	(0.01)

Balance Sheet		
Working Capital	(401,434)	(611,764)
Total Assets	348,656	298,385
Total Long Term Liabilities	174,265	174,265

1.3 Results of Operations

Three months ended June 30, 2020

Revenue for the three months ended June 30, 2020 and 2019 was nil. The cost of revenue was $17,019 (2019: $16,038) providing a gross loss of $17,019, (2019: $(16,038)). The Company has challenging times in trying to market its products with limited capital reserves.

During the three months ended June 30, 2020, the Company incurred a comprehensive loss of $37,793 compared to $244,932 loss for the corresponding period in 2019. The largest expense items that resulted in an increase in net comprehensive loss for the three months ended June 30, 2020 were;

- Professional fees were $9,031, (2019: $3,513) for the three months ended June 30, 2020. The reduction was caused by a reduction in corporate secretarial services.
- Exchange and filing fees for the three months ended June 30, 2020, were $4,134 (2019: $25,875), caused by a reduction in private placement fees.

The Company incurred an interest expense for the three months ended June 30, 2020 of $7,609 (2019: $8,675), relating to a promissory note and convertible loan.

Net loss and comprehensive loss of the three months ended June 30, 2020 was $37,793 (2019: $(244,932)). The decrease in comprehensive loss was caused by the aforementioned items.

Nine months ended June 30, 2020

Revenue for the nine months ended June 30, 2020 was $9,870 (2019: $nil). The cost of revenue was $51,555 (2019: $51,205) providing a gross loss of $41,685, (2019: $(51,205)). The Company has challenging times in trying to market its products with limited capital reserves.

During the nine months ended June 30, 2020, the Company incurred a comprehensive loss of $471,029 compared to $465,428 loss for the corresponding period in 2019. The largest expense items that resulted in an increase in net comprehensive loss for the nine months ended June 30, 2020 were;

- Consulting fees increased to $218,000, for the nine months ended June 30, 2020, from $8,600 for the nine months ended June 30, 2019. The increase was caused by the addition of a consultant to provide marketing services.
- Exchange and filing fees decreased to $15,262 for the nine months ended June 30, 2020, from $36,621 for the corresponding period ended June 30, 2020. The decrease relates to a reduction in private placement fees.
- Salaries and benefits were $85,277, (2019: $197,927) for the nine months ended June 30, 2020. The Decrease is caused by the reduction in staffing levels for the period.

- Investor relations expenses for the nine months ended June 30, 2020 were $12,109 (2019: $35,280); the reduction in expenses relates to investor relation not being required.

The Company incurred an interest expense for the nine months ended June 30, 2020 of $22,911 (2019: $23,867), relating to a promissory note and convertible loan.

1.5 Summary of Quarterly Results

The following table sets forth selected financial information of the Company for each of the last eight quarters:

Quarter Ending	Note	Expenses $	Net Loss $	Basic and diluted net loss per share $
June 30, 2020		13,165	(37,793)	(0.00)
March 31, 2020		58,810	(83,414)	(0.00)
December 31, 2019	2	334,457	(349,821)	(0.02)
September 30, 2019		90,799	(144,978)	(0.01)
June 30, 2019		220,219	(244,932)	(0.01)
March 31, 2019		100,591	(116,793)	(0.01)
December 31, 2018		77,046	(103,703)	(0.01)
September 30, 2018	1	118,837	510,578	0.01

1. *Gain on sales of subsidiary, Cloud Nine College Ltd was $724,535 for the three months ended September 30, 2018. Also includes a loss from discontinued operations of $153,577 for the three months ended September 30, 2018.*
2. *Includes a marketing development costs of $214,000.*

1.6 Liquidity and Capital Resources

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 Company's historical capital needs have been met by the sale of the Company's stock. There is no assurance that equity funding will be possible at the times required by the Company. If no funds can be raised and sales of its products do not produce sufficient net cash flow, then the Company may require a significant curtailing of operations to ensure its survival.

The financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company incurred a net loss and comprehensive loss of $471,029 during the nine months ended June 30, 2020 and has a cash balance and a working capital deficit of $16,440 and $765,717, respectively, as at June 30, 2020. The Company's ability to meet its obligations as they fall due and to continue to operate as a going concern is dependent on the continued financial support of the creditors and the shareholders. In the past, the Company has relied on sales of its equity securities to meet its cash requirements. There can be no assurance that funding from this or other sources will be sufficient in the future to continue its operations. Even if the Company is able to obtain new financing, it may not be on commercially reasonable terms or terms that are acceptable to it. Failure to obtain such financing on a timely basis could cause the Company to reduce or terminate its operations. The above indicates the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

As of June 30, 2020, the Company had 16,857,047 issued and outstanding shares and 27,047,596 shares on a fully diluted basis.

The Company had $765,717, of working capital deficit as at June 30, 2020 compared to $401,434 working capital deficit as at September 30, 2019. The increase in working capital deficit resulted from the cash used in operations of $264,666, (2019: $433,070); cash from financing activities of $53,650 (2019: $683,041); due to the issuance of 70,000 common shares for net cash proceeds of $10,150 (2019: $693,041) and net proceeds from loans of $43,500 (2019: $(10,000)).

1.7 Capital Resources

As at June 30, 2020, the Company had cash and cash equivalents of $16,440 (2019: $339,132). The Company will continue to aggressively pursuing equity financing and there can be no guarantees that the Company will be successful in its endeavors.

As of the date of this MD&A, the Company has no outstanding commitments, other than rent commitments.

1.8 Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

1.9 Transactions with Related Parties

Related party transactions

a) During the three and nine months ended June 30, 2020, the Company incurred $nil and $60,000 in management fees to the CEO of the company. The company also incurred $9,031 and $27,692 respectively in professional fees to a company controlled by the CFO of the Company.

b) As at June 30, 2020, the Company was indebted to a former director of the Company for $100,000 (2019 - $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) As at June 30, 2020, the Company was indebted to a director of the Company for $26,000 (September 30, 2019 - $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 June 30, 2020, the Company recognized accrued interest of $14,985 (September 30, 2019 - $12,642).

d) During the nine months ended June 30, 2020, the Company recorded share-based payments of $9,875 (2019 - $nil) related to stock options granted to directors and officers of the Company.

1.10 Critical Accounting Estimates.

The preparation of the Company's financial statements requires management to use estimates and assumptions that affect the reported amounts of assets and liabilities as well as revenue and expenses.

Research costs are expensed when incurred and are stated net of government grants. Development costs including direct material, direct labour and contract service costs are capitalized as intangible assets when the Company can demonstrate that the technical feasibility of the project has been established; the Company intends to complete the asset for use or sale and has the ability to do so; the asset can generate probable future economic benefits; the technical and financial resources are available to complete the development; and the Company can reliably measure the expenditure attributable to the intangible asset during its development.

The Company accounts for all stock-based payments and awards using the fair value-based method. Under the fair value-based method, stock-based payments to non-employees are measured at the fair value of the consideration received, or the fair value of the equity estimates issued, or liabilities incurred, whichever is more reliably measurable.

From time to time, the company must make accounting estimates. These are based on the best information available at the time, utilizing generally accepted industry standards.

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1.11 Changes in Accounting Policies including Initial Adoption

See Note 1 of the Company's financial statements for the year ended September 30, 2019.

Going concern issue

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. As at June 30, 2020, the Company had not insufficient revenue from the sales of its products and is not able to finance day to day activities through operations. The Company's continuation as a going concern is dependent upon revenue generating activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Management intends to finance its operations over the next twelve months through private placement and/or public offerings of equity capital. Should the Company be unable to continue as a going concern, the net realizable value of its assets may be materially less than the amounts on its statement of financial position.

Internal control over financial reporting and disclosure controls and procedures

Management is responsible for the design and maintenance of both internal control systems over financial reporting and disclosure controls and procedures. Disclosure controls and procedures are designed to provide reasonable assurance that relevant information is gathered and reported to senior management on a timely basis so that appropriate decisions can be made regarding public disclosure.

Current disclosure controls include meetings with the Chief Executive Officer, Chief Financial Officer and members of the Board of Directors and audit committee through e-mails, on telephone conferences and informal meetings to review public disclosure. All public disclosures are reviewed by certain members of senior management and the board of directors and audit committee of the Board of Directors has delegated the duties to the chief executive officer who is primarily responsible for financial and disclosure controls.

Management and the board of directors continue to work to mitigate the risk of material misstatement.

Risk and uncertainties

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

a) Credit Risk

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

b) Liquidity Risk

The Company’s approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at June 30, 2020, the Company had a cash balance of $16,440 to settle current liabilities of $782,158. 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.

1.14 Financial Instruments and Other Instruments

See Note 11 to the Company's financial statements for the six months ended June 30, 2020.

1.15 Additional Information

HEAD OFFICE

610 – 700 West Pender Street

Vancouver, BC

V6C 1G8

Tel: (604) 669 - 9788

CAPITALIZATION

(as at August 27, 2020)

Shares Authorized: Unlimited

Shares Issued: 16,857,047

Share Purchase Warrants outstanding: 8,640,546

Stock Options outstanding: 1,550,000

OFFICERS & DIRECTORS

Al Larmour,
CEO and Director

Kulwant Sandher CPA, CA

CFO and Director

Dalton Larson

Director

Peter Lee

Director

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