CLOUD NINE EDUCATION GROUP LTD.

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended September 30, 2020 and 2019

(Expressed in Canadian dollars)

INDEPENDENT AUDITORS' 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, 2020 and 2019;
- the consolidated statements of operations and comprehensive loss for the years then ended;
- the consolidated statements of changes in deficiency for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the 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, 2020 and 2019, 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 audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' 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 in our audits 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 $509,603 during the year ended September 30, 2020 and, as of that date, the Company's working capital deficiency is $791,652. 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 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 audits of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditors' report. 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.

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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.

Auditors' 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 auditors' 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 auditors' 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 auditors' 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 auditors' report is Kevin Kwan.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia

January 28, 2021

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

		September 30, 2020		September 30, 2019
ASSETS				
Current				
Cash	**$**	**2,537**	$	227,456
Marketable securities		**1**		1
		2,538		227,457
Non-current assets				
Intangible assets (Note 3)		**55,606**		121,199
TOTAL ASSETS	**$**	**58,144**	$	348,656
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities (Notes 4 and 5)	**$**	**372,550**	$	210,751
Income taxes payable		**18,140**		18,140
Loans payable (Note 4 and 6)		**129,500**		126,000
Convertible debenture (Note 5)		**274,000**		274,000
		794,190		628,891
Non-current liabilities				
Loans payable (Note 6)		**23,242**		-
Long-term payable (Note 6)		**174,265**		174,265
		197,507		174,265
TOTAL LIABILITIES		**991,697**		803,156
DEFICIENCY				
Share capital (Note 7)		**2,467,958**		2,451,016
Reserves		**1,852,108**		1,811,500
Subscriptions received (Note 7)		**-**		27,000
Deficit		**(5,253,619)**		(4,744,016)
TOTAL DEFICIENCY		**(933,553)**		(454,500)
TOTAL LIABILITIES AND DEFICIENCY	**$**	**58,144**	$	348,656

These consolidated financial statements were authorized for issuance by the Board of Directors on January 28, 2021.

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, 2020	Year ended September 30, 2019
Revenue		
Curriculum sales	$ **9,870**	$ -
Direct costs (Note 12)	**(68,264)**	(72,051)
	(58,394)	(72,051)
Expenses		
Consulting fees	**218,000**	20,600
Exchange and filing fees	**17,912**	41,583
Investor relations	**12,109**	47,880
Professional fees (Note 4)	**50,567**	83,602
Salaries and benefits (Note 4)	**85,277**	224,146
Share-based payments (Notes 4 and 9)	**47,400**	62,100
Travel	**693**	8,744
	431,958	488,655
Loss before other income and expenses and income taxes	**(490,352)**	(560,706)
Other income and expenses		
Government assistance (Note 6)	**17,884**	-
Interest expense	**(37,135)**	(33,053)
Loss before income taxes	**(509,603)**	(593,759)
Income tax expense (Note 13)	**-**	(16,647)
Net loss and comprehensive loss for the year	$ **(509,603)**	$ (610,406)
Basic and diluted loss per share	$ **(0.03)**	$ (0.05)
Weighted average number of shares outstanding	**16,850,356**	12,572,564

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, 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)
Options exercised	70,000	16,942	(6,792)	-	-	10,150
Share-based payments	-	-	47,400	-	-	47,400
Adjustment to previously received subscriptions	-	-	-	(27,000)	-	(27,000)
Net loss for the year	-	-	-	-	(509,603)	(509,603)
Balance at September 30, 2020	**16,857,050**	**$ 2,467,958**	**$ 1,852,108**	**$ -**	**$ (5,253,619)**	**$ (933,553)**

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, 2020	Year ended September 30, 2019
Cash flows from operating activities		
Net loss for the year	**$ (509,603)**	$ (610,406)
Items not affecting cash:		
Depreciation of intangible assets	**65,593**	65,595
Share-based payments	**47,400**	62,100
Accrued interest expense	**37,135**	24,278
Government assistance	**(17,884)**	-
Changes in non-cash working capital items:		
Accounts receivable	**-**	22,429
Accounts payable and accrued liabilities	**98,790**	(14,712)
Income taxes payable	**-**	18,140
	(278,569)	(432,576)
Cash flows from financing activities		
Proceeds from issuance of common shares	**-**	648,041
Proceeds from exercise of options	**10,150**	-
Proceeds (repayment) of loans payable	**43,500**	(77,170)
	53,650	570,871
(Decrease) Increase in cash	**(224,919)**	138,295
Cash, beginning of year	**227,456**	89,161
Cash, end of year	**$ 2,537**	$ 227,456
Supplemental cash flow information		
Cash paid for interest	**$ -**	$ 33,920
Cash paid for taxes	**$ -**	$ -
Subscriptions received reclassified to accounts payable	**$ 27,000**	$ -
Non-cash financing activities		
Shares issued for debt	**$ -**	$ 45,000

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. The common shares of the Company are listed on the Canadian Securities Exchange (the "CSE") 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 $509,603 (2019 - $610,406) during the year ended September 30, 2020. As at September 30, 2020, the Company had a working capital deficiency of $791,652 (2019 - $401,434) and an accumulated deficit of $5,253,619 (2019 - $4,744,016). The operating and cash flow results raise uncertainty about the ability of the Company to continue as a going concern.

In March 2020, the World Health Organization declared a global pandemic related to the virus known as COVID-19. The expected impacts on global commerce are anticipated to be far reaching. To date there have been significant effects on the world's equity markets and the movement of people and goods has become restricted. Due to market uncertainty, the Company may be restricted in its ability to raise additional funding. The impact of these factors on the Company is not yet determinable; however, they may have a material impact on the Company's financial position, results of operations and cash flows in future periods.

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. Such adjustments could be material.

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 and its subsidiaries is Canadian dollar.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Basis of consolidation

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

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

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 consolidated 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, liabilities, revenues and expenses. Actual results may vary from these estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates will, by definition, seldom equal the actual results. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected.

Critical Judgments

Going concern

The assessment of whether the going concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but not limited to, 12 months from the end of the reporting period. The Company is aware that material uncertainties exist related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

Impairment of intangible assets

Judgment is required in determining whether intangible assets have indicators of impairment. Determining the amount of impairment of intangibles assets requires an estimation of the recoverable amount, which is defined as the higher of fair value less the cost of disposal or value in use. Many factors used in assessing recoverable amounts are outside of the control of management and it is reasonably likely that assumptions and estimates will change from period to period. These changes may result in future impairments.

Canada Emergency Business Account loan ("CEBA loan")

In determining the initial fair value of the CEBA loan, the Company applied judgment to assume that the Company would repay $30,000 on December 31, 2022 and the Company used a discount rate of 12%, an estimate of its incremental borrowing interest rate.

Significant Estimates and Assumptions

Inputs to the Black-Scholes option pricing model

The fair value of equity instruments is subject to the limitations of the Black-Scholes option pricing model, as well as other pricing models that incorporate market data and involves uncertainty in estimates used by management in the assumptions. Because option pricing models require inputs of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Use of judgments and estimates (continued)

Useful lives of intangibles assets

Depreciation of the Company's intangible assets incorporate estimates of useful lives and residual values. These estimates may change as market conditions change and the future economic benefits from the use of the asset changes, thereby impacting the useful life and residual value of the intangible assets. Any revisions to useful life are accounted for prospectively.

Recovery of deferred tax assets

The Company estimates the expected manner and timing of the realization or settlement of the carrying value of its tax assets and liabilities and applies tax rates that are enacted or substantively enacted on the estimated dates of realization or settlement.

d) Financial instruments

Recognition and classification

The Company recognizes a financial asset or financial liability on the consolidated statement of financial position when it becomes party to the contractual provisions of the financial instrument.

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.

The following table shows the classification under IFRS 9 *Financial Instruments*:

Financial assets/ liabilities	**Classification**
Cash	FVTPL
Marketable securities	FVTPL
Accounts payable and accrued liabilities	Amortized cost
Loans payable	Amortized cost
Convertible debentures	Amortized cost
Long-term payable	Amortized cost

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Financial instruments (continued)

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 consolidated 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 consolidated 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.

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 consolidated 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 consolidated statements of operations and comprehensive loss.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Loss per share

Basic earnings or loss per share is computed by dividing the earnings or loss for the period by the weighted average number of common shares outstanding during the relevant period. The treasury stock method is used for the calculation of diluted earnings or loss per share. Stock options, share purchase warrants, and other equity instruments are dilutive when the average market price of the common shares during the period exceeds the exercise price of the options, warrants and other equity instruments. When a loss has been incurred, basic and diluted loss per share is the same because the exercise of options and warrants would be anti-dilutive

f) 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 its recoverable amount. The recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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.

g) Revenue recognition

The Company recognizes revenue under IFRS 15 *Revenue from Contracts with Customers,* using the IFRS 15 five step model as follows:

- identify the contract with a customer;
- identify the performance obligations in the contract;
- determine the transaction price, which is the total consideration provided by the customer;
- allocate the transaction price among the performance obligations in the contract based on their relative fair values; and
- recognize revenue when the relevant criteria are met for each performance obligation.

Digital curriculum revenue is recognized when it grants customers access to the ESL course. The Company recognizes revenue when collection is reasonably assured.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) 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. Under this method, the proceeds are allocated first to shares based on the fair value of the shares at the time the units are priced and any residual value is allocated to the warrants.

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.

i) 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)

j) IFRS 16 Leases

Effective October 1, 2019, the Company adopted IFRS 16 Leases ("IFRS 16") using the modified retrospective approach. The comparative figures for the 2019 reporting period have not been restated and are accounted for under IAS 17 Leases, ("IAS 17") and IFRIC 4 Determining Whether an Arrangement Contains a Lease, as permitted under the specific transitional provisions in the standard. IFRS 16 requires lessees to recognize assets and liabilities for most leases. For lessors, there is little change to the existing accounting in IAS 17. The adoption of IFRS 16 did not have an impact on the Company's consolidated financial statements as the Company does not have any lease agreements.

3. INTANGIBLE ASSETS

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

Cost		**Digital curriculum**
Balance, September 30, 2020, 2019 and 2018	**$**	**327,972**

Depreciation		**Digital curriculum**
Balance, September 30, 2018	$	141,178
Additions		65,595
Balance, September 30, 2019		206,773
Additions		65,593
Balance, September 30, 2020	**$**	**272,366**

Net Book Value		**Digital curriculum**
Balance, September 30, 2019	$	121,199
Balance, September 30, 2020	**$**	**55,606**

4. RELATED PARTY TRANSACTIONS

The Company's related parties consist of key management personnel and companies owned directly or indirectly by key management personnel.

Key management personnel include persons having the authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Board of Directors and corporate officers.

a) During the year ended September 30, 2020, the Company incurred $60,000 (2019 - $120,000) in salaries and benefits to the CEO of the Company, of which $50,000 is included in accounts payable and accrued liabilities, $Nil (2019 - $12,600) in salaries and benefits to a company controlled by the former CFO of the Company and $29,663 (2019 - $6,300) in professional fees to a company controlled by the CFO of the Company, of which $2,625 is included in accounts payable and accrued liabilities. Amounts owed to related parties included in accounts payable and accrued liabilities are unsecured, non-interest-bearing and are without fixed terms of repayment.

4. RELATED PARTY TRANSACTIONS (continued)

b) As at September 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 September 30, 2020, the Company was indebted to a director of the Company for $26,000 (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 September 30, 2020, the Company recognized accrued interest of $15,771 (2019 - $16,585).

d) During the year ended September 30, 2020, the Company recorded share-based payments of $15,800 (2019 - $Nil) related to stock options granted to directors and officers of the Company.

5. CONVERTIBLE DEBENTURE

On July 10, 2017, the Company signed a 12% unsecured 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 common shares of the Company at a conversion price of $0.70 per share. As at September 30, 2020, accrued interest of $39,111 (2019 - $11,636) on the 2017 Debentures was included in accounts payable and accrued liabilities.

6. LOANS PAYABLE AND 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, 2020, $174,265 (2019 - $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.

During the year ended September 30, 2020, the Company received a $40,000 loan through the Canada Emergency Business Account program of the Canadian Federal Government. The loan is intended to help businesses to fund its operations as it goes through the Covid-19 pandemic. The interest rate of the loan is nil% until December 31, 2022. The Company is entitled to a 25% credit if the loan is repaid on or before December 31, 2022 (“term”). If the loan is not repaid by the end of the term, the loan will carry an interest rate of 5% per annum beginning January 1, 2023 until December 31, 2025. As at September 30, 2020, the Company has not made a payment to the loan.

The benefit of the government loan received at below market rate of interest is treated as a government grant. The loan was recognized at fair value using the Company’s incremental borrowing rate of 12% per annum, totaling $22,116. The difference between the initial carrying amount and proceeds received is the value of the grant of $17,884. The Company recognized in income the value of the grant as it incurred the related expenses for which the grant was intended to compensate. As at September 30, 2020, $17,884 of government grant had been recognized as income in the consolidated statements of operations and comprehensive loss. During the year ended September 30, 2020, the Company recorded interest of $1,126 on the loan (2019 - $Nil). The balance of the loan at September 30, 2020 is $23,242.

During the year ended September 30, 2020, the Company received a $3,500 (2019 - $Nil) loan. The loan is non-interest bearing, unsecured and due on demand.

7. SHARE CAPITAL

a) Authorized

Unlimited number of common shares without par value.

b) Issued and outstanding

During the year ended September 30, 2020

i. On November 5, 2019, the Company issued 70,000 shares at $0.145 per share through the exercise of stock options for gross proceeds of $10,150. In addition, $6,792 representing the fair value of the options were reclassified from reserves to share capital.

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 fair value of $0.50 per common share to a former officer to settle outstanding debt of $45,000.

(Expressed in Canadian dollars)

8. SHARE PURCHASE WARRANTS

The following table summarizes information about the warrants issued for the year ended September 30, 2020:

	Number of warrants	Weighted average exercise price
Outstanding, September 30, 2018	287,154	$ 1.50
Issued	8,640,546	0.225
Expired	(287,154)	1.50
Outstanding, September 30, 2020 and 2019	**8,640,546**	**$ 0.225**

As at September 30, 2020, the weighted average contractual life of the share purchase warrants was 0.49 years and the weighted average exercise price was $0.225.

The following table summarizes information about warrants outstanding as at September 30, 2020:

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

(Expressed in Canadian dollars)

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.

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

	Number of stock options	Weighted average exercise price
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
Granted	720,000	0.12
Cancelled	(210,000)	0.61
Expired	(4,000)	0.50
Exercised	(70,000)	0.145
Outstanding, September 30, 2020	**1,550,000**	**$ 0.19**

The following table summarizes information about options outstanding and exercisable as at September 30, 2020:

Exercise Price	Expiry date	Options outstanding
$ 0.70	July 26, 2022	20,000
$ 0.30	December 8, 2022	100,000
$ 0.50	May 23, 2023	50,000
$ 0.70	May 23, 2023	90,000
$ 0.145	April 16, 2024	570,000
$ 0.12	October 25, 2024	720,000
	Total	1,550,000

As at September 30, 2020, the weighted average contractual life of the stock options was 3.59 years and the weighted average exercise price was $0.19.

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:

	2020	2019
Risk-free interest rate	**1.57%**	1.66%
Expected life	**5 years**	5 years
Expected volatility	**88%**	84%
Forfeiture rate	**0%**	0%

9. STOCK OPTIONS (continued)

The expected volatility is based on historical prices of the Company. The risk-free interest rate is based on yield curves on Canadian government zero-coupon bonds with a remaining term equal to the expected life of the stock options. The Company uses historical data to estimate option exercise, forfeiture and employee termination within the valuation model. The Company has not paid and does not anticipate paying dividends on its common shares. Companies are required to utilize an estimated forfeiture rate when calculating the expense for the reporting period. Based on the best estimate, management applied the estimated forfeiture rate of 0% in determining the share-based payments.

The fair value of stock options granted during the year ended September 30, 2020 was $47,400 (2019 - $62,100).

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. During the year ended September 30, 2020, 423,457 common shares were released from escrow. The balance remaining in escrow was Nil (2019 – 423,457).

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 payables and accrued liabilities, loans payable and convertible debentures 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.

(Expressed in Canadian dollars)

11. RISK MANAGEMENT (continued)

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, 2020, the Company had a working capital deficiency of $791,652 (2019 - $401,434). 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. All of the liabilities presented as accounts payable are due within 90 days of September 30, 2020. The loans payable is due within 1 to 3 years.

v) Currency risk

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

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, 2020, 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. The Company is not subject to externally imposed capital requirements. There has been no change to the Company's approach to capital management during the year ended September 30, 2020.

12. DIRECT COSTS

	Year ended September 30, 2020	Year ended September 30, 2019
Depreciation of curriculum	**$ 65,593**	$ 65,595
Bank and credit card charges	**1,829**	616
Other	**842**	5,840
Total	**$ 68,264**	$ 72,051

(Expressed in Canadian dollars)

13. 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:

	2020	2019
Statutory tax rate	**27%**	27%
Income tax recovery at statutory rate	**$ (138,000)**	$ (160,000)
Increase (reduction) in income taxes:		
Non-deductible items	**13,000**	17,000
Change in estimate and rate change	**-**	(33,353)
Change in tax assets not recognized	**125,000**	193,000
Total income tax expense	**$ -**	$ 16,647

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, 2020 and 2019, are as follows:

	2020	2019
Deferred tax assets and liabilities		
Losses carried forward	**$ 818,000**	$ 696,000
Intangible assets	**39,000**	21,000
Share issue costs and other	**9,000**	24,000
Deferred tax asset not recognized	**(866,000)**	(741,000)
Net deferred tax assets (liabilities)	**$ –**	$ –

As at September 30, 2020, the Company has capital losses carried forward of approximately $1,117,000 (2019 – $1,117,000). The Company has non-capital losses carried forward of $1,898,000 as at September 30, 2020 (2019 - $1,450,000). The non-capital losses expire from 2035 to 2040.

14. SUBSEQUENT EVENTS

a) On December 21, 2020, the Company received $20,000 additional loan through the expanded Canada Emergency Business Account program of the Canadian Federal Government (Note 6).

b) The Company closed a non-brokered private placement financing of secured convertible debentures ("Debenture") pursuant to which the Company issued Debentures in the aggregate principal amount of $1,199,600. The Debentures are due one year from the date of issuance and the principal amount, together with any accrued and unpaid interest will be payable at 5% per annum on maturity, unless earlier converted. The principal amount, together with all accrued and unpaid interest is convertible into units of the Company at the option of the holder at a conversion price of $0.06 per Debenture unit, where each Debenture unit comprises of one common share of the Company and one transferable share purchase warrant, with each Debenture warrant exercisable into one additional Debenture share at an exercise price of $0.07 per Debenture share for a period of two years from the date of conversion. The Debentures are secured by a charge over all the assets of the Company.