EA EDUCATION GROUP INC.

CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)

FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016

Independent Auditors' Report

To the Shareholders of **EA Education Group Inc.**:

We have audited the accompanying consolidated financial statements of EA Education Group Inc. and its subsidiaries (the "Company"), which comprise the consolidated statement of financial position as at August 31, 2017 and August 31, 2016, and the consolidated statements of operations and comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board, and for such internal control as management determines necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2017 and August 31, 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 1 of these consolidated financial statements which state that the Company incurred significant operating losses from operations, negative cash flows from operating activities and has an accumulated deficit. This, along with other matters described in Note 1, indicates the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

Vancouver, British Columbia
March 28, 2018

MNP LLP
Chartered Professional Accountants

EA EDUCATION GROUP INC.

Consolidated Statements of Financial Position
As at August 31, 2017 and 2016
(Expressed in Canadian dollars)

	Notes	2017	2016
Assets			
Current			
Cash		12,340	62,657
Accounts receivable and other receivables	6	429,376	493,627
Due from related parties	11	-	700,747
Prepaid expenses and deposit		6,232	17,081
		447,948	1,274,112
Due from related parties	11	-	202,040
Long term deposit		9,341	-
Loans receivable	12(b)	773,682	721,042
Plant and equipment	7	15,484	53,683
Intangible assets	8	-	89,000
		798,507	1,065,765
Total assets		1,246,455	2,339,877
Liabilities			
Current			
Bank indebtedness		39,802	36,923
Accounts payable and accrued liabilities		597,824	529,427
Deferred revenue		284,930	587,593
Due to related parties	11	77,900	26,000
Total liabilities		1,000,456	1,179,943
Equity			
Share capital	9	4,517,961	4,517,961
Reserve	9	162,670	162,670
Accumulated other comprehensive income		(2,553)	(1,432)
Deficit		(4,432,079)	(3,519,265)
Equity attributable to shareholders		245,999	1,159,934
Total liabilities and equity		1,246,455	2,339,877

Nature of operations and going concern (Note 1)
Commitments (Note 15)
Events after the reporting period (Note 17)

Signed: "Wendy Xu", Director

Signed: "Weidong Wang", Director

See accompanying notes to the consolidated financial statements.

EA EDUCATION GROUP INC.

Consolidated Statements of Operations and Comprehensive Loss
As at August 31, 2017 and 2016
(Expressed in Canadian dollars, except number of shares)

	Notes	2017	2016
		$	$
Revenues		816,964	1,178,207
Expenses			
Direct operating costs		494,422	652,117
General and administrative expenses	16	1,218,302	1,315,255
Marketing and promotion		49,217	139,915
Impairment of goodwill	8	-	281,137
Impairment of intangible assets	8	29,000	273,915
Impairment of loan receivable	12(a)	-	81,271
Impairment of plant and equipment	7	24,200	-
Gain on forgiveness of consulting fee payable	11(f)	-	(26,000)
Interest income	11(h)	(85,363)	(98,401)
		1,729,778	2,619,209
Loss before income taxes		(912,814)	(1,441,002)
Income taxes recovery (expense)	10	-	(19,475)
Net loss		(912,814)	(1,460,477)
Other comprehensive loss			
Items that will be reclassified subsequently to loss:			
Loss on translation of foreign operations		(1,121)	(1,607)
Total comprehensive loss		(913,935)	(1,462,084)
Basic and diluted loss per share		(0.01)	(0.01)
Weighted average number of shares outstanding			
Basic and diluted		174,256,868	172,194,098

See accompanying notes to the consolidated financial statements.

EA EDUCATION GROUP INC.

Consolidated Statements of Changes in Equity

(Expressed in Canadian dollars, except number of shares)

	Notes	Common shares Shares	Common shares Amount	Share-based payment reserve	Accumulated other comprehensive Income (loss)	Deficit	Total shareholders' equity
			$	$	$	$	$
Balance at August 31, 2015		**171,132,868**	**4,200,761**	**167,470**	**175**	**(2,058,788)**	**2,309,618**
Net loss for the year		-	-	-	-	(1,460,477)	(1,460,477)
Private placement	9	3,064,000	306,400	-	-	-	306,400
Exercise of warrants	9	60,000	10,800	(4,800)	-	-	6,000
Translation of foreign operations		-	-	-	(1,607)	-	(1,607)
Balance at August 31, 2016		**174,256,868**	**4,517,961**	**162,670**	**(1,432)**	**(3,519,265)**	**1,159,934**
Net loss for the year		**-**	**-**	**-**	-	(912,814)	(912,814)
Translation of foreign operations		**-**	**-**	**-**	(1,121)	-	(1,121)
Balance at August 31, 2017		**174,256,868**	**4,517,961**	**162,670**	**(2,553)**	**(4,432,079)**	**245,999**

See accompanying notes to the consolidated financial statements.

EA EDUCATION GROUP INC.

Consolidated Statements of Cash Flows
For the years ended August 31, 2017 and 2016
(Expressed in Canadian dollars)

	Notes	2017	2016
		$	$
Operating activities			
Net loss		(912,814)	(1,460,477)
Items not involving cash			
Bad debt expense	16	860	-
Depreciation	16	73,999	87,930
Forgiveness of consulting fee payable		-	(26,000)
Income taxes		-	19,475
Impairment of goodwill		-	281,137
Impairment of intangible assets	8	29,000	273,915
Impairment of PPE	7	24,200	-
Impairment of loan receivable		-	81,271
Interest income		(52,640)	(98,401)
Changes in non-cash working capital			
Accounts receivable		63,391	(422,261)
Receivable from related parties		904,682	-
Deferred revenue		(302,663)	299,090
Accounts payable and accrued liabilities		68,397	(56,429)
Prepaid expenses		(1,508)	(1,591)
Due to related party		51,900	193,537
Interest received		-	15,604
		(53,196)	(813,200)
Investing activities			
Decrease in loans receivable		-	90,000
Purchase of property, plant and equipment	9	-	(2,849)
		-	87,151
Financing activities			
Bank indebtness		2,879	36,923
Issuance of share capital		-	312,400
		2,879	349,323
Decrease in cash		(50,317)	(376,726)
Cash, beginning of year		62,657	439,383
Cash, end of year		12,340	62,657

See accompanying notes to the consolidated financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

EA Education Group Inc. (the "Company" or "EA") was incorporated pursuant to the provisions of the *Business Corporations Act* (Ontario) under the name "1156261 Ontario Inc." on November 21, 1995. The Company changed its name to "Croesus Gold Inc." on July 19, 1996, and continued into British Columbia pursuant to the *Business Corporations Act* (British Columbia) on November 17, 2006 under the name "Croesus Gold Inc.". On June 20, 2008, the Company changed its name to "Kenieba Goldfields Ltd." ("Kenieba") that was listed on the Canadian Securities Exchange ("CSE") under the trading symbol "KEN". Its principal business at the time was to acquire, explore and develop mineral property.

On February 18, 2015, Kenieba acquired 100% ownership of EA Education Group Inc. ("EAEG Private") by issuing 120,000,000 common shares to the shareholders of EAEG Private. This resulted in the previous shareholders of EAEG Private obtaining control of the combined entity and constituted a reverse takeover ("RTO"). Subsequent to the acquisition, Kenieba amalgamated with EAEG and the new Company continued as the name "EA Education Group Inc." and its stock symbol from in CSE changed from "KEN" to "EA".

The Company, together with its subsidiaries, provides international educational service and comprehensive student housing services in Canada and China. The address of the Company's corporate office and principal place of business is 4576 Yonge Street, Unit 600, Toronto, Ontario M2N 6N4. The consolidated financial statements for the years ended August 31, 2017 and 2016 were approved and authorized for issuance by the Board of Directors of the Company on March 28, 2018.

Going Concern

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. Management uses judgment to assess the Company's ability to continue as a going concern and the existence of conditions that cast doubt upon the going concern assumption.

For the year ended August 31, 2017, the Company reported a net loss of $912,814 (2016 - $1,460,477) and used net cash in operating activities of $53,196 (2016 - $813,200). As at August 31, 2017, the Company had an accumulated deficit of $4,432,079 (2016 - $3,519,265). Management's current plan is to actively work with the Company's Board to collect its loans and accounts receivable, while at the same time looking for new business opportunities to increase revenue and exercise careful cost control to sustain operations. The Board believes that there is a reasonable expectation that the Company will be successful in collecting its loans and amounts due from its related parties and obtaining the necessary financing resolution to address its working capital needs and for this reason believes it is appropriate to continue to adopt the going concern basis in preparing these consolidated financial statements.

The continuation of the Company as a going concern is dependent upon its ability to collect its loan and amounts due from related parties and ultimately attain and maintain profitable operations. Historically, the Company has not yet realized profitable operations and has relied on non-operational sources of financing to fund its operations. Whether and when the Company can attain profitability and positive cash flows is uncertain. While in the past, the Company has been successful in obtaining funding from equity financings, there is no assurance that such initiatives will be successful in the future. Accordingly, there is a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern. These consolidated financial statements do not reflect any adjustments to the carrying values of assets and liabilities and the reported amounts of expenses and statement of financial position classifications that would be necessary if the going concern assumption were not appropriate and such adjustments could be material.

2. BASIS OF PREPARATION

Statement of Compliance

These consolidated financial statements of the Company and its subsidiaries have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of Measurement

These consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments measured at fair value as explained in the accounting policies below. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting.

Functional and Presentation Currency

The functional currency of the Company and its wholly owned subsidiary, Duke College Inc. ("Duke"), is the Canadian dollars, while the functional currency of its other wholly owned subsidiary, EA International Education Co., Limited, is Chinese Yuan. These consolidated financial statements are presented in Canadian dollars.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements.

Basis of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries Duke and EA International Education Co., Limited, which are controlled by the Company.

Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Company gains control until the date the Company ceases to control the subsidiary.

Intercompany balances and transactions, and unrealized gains arising from intercompany transactions are eliminated in preparing the consolidated financial statements.

Foreign Currency

Foreign currency transactions
Transactions in foreign currencies are translated to the respective functional currencies of the Company and its subsidiaries at the exchange rate in effect at the transaction date. Monetary assets and liabilities are translated at the exchange rates in effect at date of financial position. Non-monetary assets and liabilities measured at historical costs that are denominated in other than the functional currency are translated at the exchange rate at the date of the transaction. Revenues and expenses are translated at the exchange rates prevailing at the date of the transaction except for amortization, which is translated at historical rates. Translation gains or losses are included in profit or loss.

Foreign operations
The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the Company's presentation currency at exchange rates at the financial position date. The income and expenses of foreign operations are translated into the Company's presentation currency at average exchange rates for the year. Foreign currency differences are recognized as other comprehensive income (loss) and accumulated in a separate component of shareholders' equity, described as foreign currency translation adjustment.

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The consideration for the acquisition is measured at the fair values of the assets transferred, the liabilities assumed and the equity interests issued at the acquisition date. The excess of the consideration over the fair value of the identifiable net assets acquired is recorded as goodwill. Transaction costs that are incurred in connection with a business combination are expensed as incurred. Any costs associated with the issuance of equity securities are recorded as a reduction of share capital. On an acquisition-by-acquisition basis, any non-controlling interest is measured either at fair value of the non-controlling interest or at the fair value of the proportionate share of the net assets acquired.

Any contingent consideration is measured at the fair value on acquisition date and is included as part of the consideration transferred. The fair value of the contingent consideration is re-measured at each reporting date with the corresponding gain or loss being recognized in net income or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests) and any previous interest held over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Company re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Cash

Cash consists of cash at banks and or short term deposits with an original maturity of three months or less.

Accounts Receivable

Trade receivables are stated at their amortized costs less allowance made for doubtful receivables based on a review of all outstanding amounts at the year end. An allowance for doubtful receivables is made when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Bad debts are written off when identified.

Plant and Equipment

Property and equipment are recorded at historical cost (including directly applicable taxes, freight-in and installation costs), net of accumulated amortization and accumulated impairment losses. Depreciation is recognized to write off the cost of assets less their residual value over their estimated useful lives at the following annual rates:

- Computer equipment - 30% per annum
- Furniture and equipment - 20% per annum
- Leasehold improvements - straight-line over the lesser of lease term and three years
- Vehicles – 20% per annum

The Company reviews the estimated useful lives, residual values and depreciation method at each period-end, accounting for the effect of any changes in estimate on a prospective basis.

Intangible Assets Acquired

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over their estimated useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in profit or loss in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit or loss when the asset is derecognized.

The intangible assets of the Company include curriculum it purchased, and Duke's education licenses and programs on the acquisition of Duke. The useful life of the curriculum and the education programs is estimated to be 5 years and amortized accordingly. The useful life of the education licenses is estimated to be indefinite. In 2016, the Company tested the impairment of the intangible assets and concluded that the education licenses and education program acquired from Duke were impaired. See Note 8. In 2017 the Company tested the impairment of the intangible assets and concluded that the course program of EA were impaired. See Note 8.

Impairment of Non-financial Assets

The carrying amounts of the Company's non-financial assets are reviewed at each financial position date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually.

The recoverable amount of an asset or cash generating unit is the higher of its fair value less cost of disposal and its value in use. Fair value less costs to sell is defined as the estimated price that would be received on the sale of the asset in an orderly transaction between market participants at the measurement date. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discounted rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other groups of assets (cash generating units or "CGUs"). The allocation of goodwill to cash-generating units reflects the lowest level at which goodwill is monitored for internal reporting purposes.

An impairment loss is recognized if the carrying amount of an asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of the cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decrease or no longer exists. When impairment subsequently reverses, the carrying amount of the asset is increased to the revised estimated recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Revenue Recognition

Revenue

Revenue is derived from the supply of student housing, educational programs and services, and international education exchange events. A summary of the revenue recognition policies for each of the Company's business and services is as follows:

Revenue from student housing fees is recognized on a straight-line basis over the term of student housing services.

The Company provides its brand and curriculum services to local Chinese schools ("EA Clubs"). Education program & service is derived from initial royalty fees relating to new EA Clubs opening, annual management fee charged with a flat rate to each EA club, one-time student registration fees charged by the Company for students enrolled in its EA clubs in China, and tuition fee of Duke. Initial royalty fees for new EA clubs are amortized over the term of the service agreements between EA and EA Clubs. Annual management fees are recognized in income on a straight-line basis unless there is significant uncertainty concerning the collectability of such revenues, in which case management fees are recognized when received. One-time student registration fees are recognized when new students enroll in the Company's EA clubs unless there is significant uncertainty concerning the collectability of such revenues, in which case one-time student registration fees are recognized when received. Tuition fee of Duke is recognized on a straight-line basis over the period of the courses enrolled for.

Revenues from international education exchange events are all short term and recognized upon completion of the events.

Deferred revenue

Deferred revenue represents cash received in advance of revenue recognition for contractually obligated services which have not yet been performed. These amounts are recognized in income as described above.

Interest income

Interest income is recognized in profit or loss when receivable.

Income Taxes

The Company follows the asset and liability method of accounting for income tax. Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of unused tax losses and tax credits, as well as for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future and their timing of the reversal can be controlled. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to be applied to temporary differences when the related asset is realized or liability is settled, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously. A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Share Capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares, warrants and stock options are recognized as a deduction from equity, net of any tax effects.

Earnings (loss) Per Share

The Company presents basic and diluted earnings (loss) per share data for its common shares. Basic earnings (loss) per share is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for the effects of all diluted potential common shares, which comprise warrants and share options issued using the treasury stock method.

Segment Reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses, and income tax assets and liabilities.

Financial Instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when obligations are discharged, cancelled or expired. Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Classification and measurement

At initial recognition, financial instruments are classified into the following categories depending on the purposes for which the instruments were acquired:

<u>Financial assets and liabilities at fair value through profit and loss ("FVTPL"):</u>
A financial asset or liability is classified as FVTPL if acquired principally for the purpose of selling or repurchasing in the short-term. Derivatives are also included in this category unless they are designated as hedges. Financial instruments in this category are recognized initially and subsequently at fair value. Gains and losses arising from changes in fair value are presented in the statement of operations within other gains and losses in the period in which they arise. Financial assets and liabilities at FVTPL are classified as current except for the portion expected to be realized or paid beyond twelve months of the financial position date, which is classified as non-current.

<u>Available-for-sale:</u>
Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive operations except for losses in value that are considered other than temporary or a significant or prolonged decline in the fair value of that investment below its cost in which case the loss is recognized in the Statement of Operations. They are included in current assets to the extent they are expected to be realized within twelve

months after the end of the reporting period.

Loans and receivables:
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognized at the amount expected to be received less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment. They are included in current assets to the extent they are expected to be realized within twelve months after the end of the reporting period.

Held-to-maturity investments
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method less a provision for impairment. They are included in non-current assets, except for those which are expected to mature within twelve months after the end of the reporting period.

Financial liabilities at amortized cost:
Financial liabilities other than those classified as FVTPL are initially recognized at the amount required to be paid less, when material, a discount to reduce the payables to fair value. Subsequently, they are measured at amortized cost using the effective interest method. Financial liabilities at amortized costs are classified as current liabilities if payment is due within twelve months after the end of the reporting period. Otherwise, they are presented as non-current liabilities.

The Company classifies its financial assets and liabilities depending on the purpose for which the financial instruments were acquired, their characteristics, and management intent as outlined below:

	Classification
Cash	FVTPL
Accounts receivables	Loans and receivables
Loans receivable	Loans and receivables
Due from related parties	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities
Due to related parties	Other liabilities
Bank indebtedness	Other liabilities

The Company does not have any derivative financial instruments.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Transaction costs

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from fair value of financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

Impairment of financial assets

Financial assets, other than those classified at fair value through profit and loss, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Critical accounting estimates and judgments are those that have a significant risk of causing material adjustment and are often applied to matters or outcomes that are inherently uncertain and subject to change. As such, management cautions that future events often vary from forecasts and expectations and that estimates routinely require adjustment.

Management considers the following areas to be those where the significant estimates, which may involve assumptions requiring the application of judgments, are used in the preparation of the Company's consolidated financial statements.

Evaluation of the Company's Ability to Continue As a Going Concern

Management has applied judgements in the assessment of the Company's ability to continue as a going concern when preparing these consolidated financial statements. Management prepares the consolidated financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. The assessment of the Company's ability to execute its strategy and finance the operations through achieving positive cash flow from operations or by obtaining additional funding through debt or equity financing involves judgments. Management monitors future cash requirements to assess the Company's ability to realize assets and discharge its liabilities in the normal course of operations. Please refer to Note 1 for more information.

Impairment of Loans, Accounts Receivables and Due From Related Parties

The impairment assessment of the Company's loans and receivables measured at amortized costs is based on management's assessment of the business environment, customers' or creditors' financial conditions, historical collection experience, accounts receivable aging, customer disputes and the collectability of specific accounts. Estimates used to determine amount of impairment required involve uncertainties. If there were a deterioration of a major customer's or creditors' creditworthiness, or actual defaults were higher than the Company's historical experience, estimates of the recoverability of amounts due could be overstated, which could have an adverse impact on the Company's operating results.

Business Combinations and Valuation of Goodwill and Intangible Assets

The allocation of the purchase price for acquisitions involves determining the fair values for identifiable assets acquired and liabilities assumed. Estimation of fair values involve significant judgments, estimates and assumptions. The acquisitions of Duke are most sensitive to the assumptions including gross margin, discount rates, and growth rate. Please refer to Note 8 for more information.

Impairment of Non-Financial Assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow ("DCF") model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit ("CGU") being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognized by the Company. The key assumptions used to determine the recoverable amount for the CGUs are disclosed and further explained in Note 8.

5. IFRS STANDARDS ISSUED BUT NOT YET EFFECTIVE

There was no change in the Company's accounting policies in the year.

*Future accounting standards***:**

- *IFRS 9 Financial Instruments: Classification and Measurement* was issued by the IASB in October 2010 and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is available for application, with the mandatory effective date expected to be on or after January 1, 2018.

- *IFRS 15 Revenue from Contracts with Customers* was issued by the IASB in May 2014. IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

  The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In 2016, the IASB issued Clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The application of IFRS 15 is mandatory for annual reporting periods starting from 1 January 2018. The Company will apply this standard for the year starting from September 1, 2018. The management of the Company is in the process of assessing the potential impacts of IFRS 15 in respect of the Company’s contracts with students in Canada and franchisees in China, in particular, the identification of performance obligations under IFRS 15 and the allocation of total consideration (including tuition fees, student housing fee, franchising fee, courses and program fees, and student membership fees) to the respective performance obligations that will be based on relative fair values.

- *IFRS 12 Income Taxes* was amended by the IASB in January 2016 to clarify the recognition of deferred tax assets for unrealized losses. The effective date is for annual periods beginning on or after January 1, 2017 with earlier application permitted.

- *IFRS 16 Leases* was amended by IASB in January 2016 to eliminate the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Under the new standard, a lease becomes an on-balance sheet liability that attracts interest, together with a new right-of-use asset. In addition, lessees will recognize a front-loaded pattern of expense for most leases, even when cash rentals are constant. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted.

(Expressed in Canadian dollars)

6. ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

Accounts receivable consisted of trade receivables of $253,060 (2016 - $361,354) and HST receivable of $176,316 (2016 - $132,273) as of August 31, 2017. The aging of trade receivable, net of allowance for doubtful accounts, at each reporting date was as follows:

	2017	2016
	$	$
Current to 30 days	-	228,259
31 to 90 days	-	8,015
91 to 365 days	-	111,092
Over 365 days	253,060	13,988
Total	**$ 253,060**	**$ 361,354**

During the years ended August 31, 2017 and 2016, no trade receivables were written off because the Shareholders provided personal guarantee for trade receivables from the EA Clubs. Refer to Note 12 for details.

(Expressed in Canadian dollars)

7. PLANT AND EQUIPMENT

Cost	Lease Improvements	Furniture and Equipment	Computer Equipment	Vehicles	Total
Balance, August 31, 2015	$ 14,087	$ 59,393	$ 10,632	$ 5,673	$ 89,785
Additions	-	2,849	-	-	2,849
Balance, August 31, 2016 and 2017	$ 14,087	$ 62,242	$ 10,632	$ 5,673	$ 92,634
Accumulated amortization					
Balance, August 31, 2015	$ 5,635	$ 10,502	$ 3,033	$ 851	$ 20,021
Depreciation	4,830	9,183	3,953	964	18,930
Balance, August 31, 2016	**10,465**	**19,685**	**6,986**	**1,815**	**38,951**
Depreciation	3,622	2,872	3,647	3,858	13,999
Impairment	-	24,200	-	-	24,200
Balance, August 31, 2017	**$ 14,087**	**$ 46,757**	**$ 10,633**	**$ 5,673**	**$ 77,150**
Net Carrying Amounts					
Balance, August 31, 2016	**$ 3,622**	**$ 42,558**	**$ 3,646**	**$ 3,858**	**$ 53,683**
Balance, August 31, 2017	**$ -**	**$ 15,484**	**$ -**	**$ -**	**$ 15,484**

(Expressed in Canadian dollars)

8. INTANGIBLE ASSETS

	EAEG's curriculum purchased	Duke's education licenses	Duke's education programs	Total
Cost				
Balance, August 31, 2015, 2016 and 2017	$ 300,000	$ 241,000	$ 45,043	$ 586,043
Accumulated amortization And impairment				
Balance, August 31, 2015	$ 151,000	$ -	$ 3,128	$ 154,128
Amortization	$ 60,000	$ -	$ 9,000	$ 69,000
Impairment	$ -	$ 241,000	$ 32,915	$ 273,915
Balance, August 31, 2016	$ 211,000	$ 241,000	$ 45,043	$ 497,043
Amortization	$ 60,000	$ -	$ -	$ 60,000
Impairment	$ 29,000	$ -	$ -	$ 29,000
Balance, August 31, 2017	**$ 300,000**	**$ 241,000**	**$ 45,043**	**$ 586,043**
Net Carrying Amounts				
Balance, August 31, 2016	$ 89,000	$ -	$ -	$ 89,000
Balance, August 31, 2017	**$ -**	**$ -**	**$ -**	**$ -**

During the year ended August 31, 2017, the Company performed the annual impairment testing on the EA's intangible assets and as a result an impairment loss of $29,000 was recorded for the year ended August 31, 2017 (2016 - $Nil). The impairment is due to EA's under-expectation of business performance in China and the revenue from the Clubs in China indicate that the intangible carry value will not be recoverable.

Impairment of Duke's education licenses, program and goodwill:

During the year ended August 31, 2016, the Company performed the annual impairment testing on the Duke's intangible assets and goodwill. The calculation of the value in use was based on the following key assumptions for the cash-generating units:

- Cash flows were projected over a five-year period based on past experience and actual operating results.
- Growth rate applied on revenue is 43% in year one and 15% thereafter.
- Discount rate applied was 23% to cash generating unit to determine its recoverable amount.

As a result of the annual impairment test, the recoverable amount of Duke's cash-generating unit was lower than its net book value. Therefore, an impairment loss on goodwill of $281,137 and impairment on intangible of $273,915 are recorded for the year-ended August 31, 2016.

9. SHARE CAPITAL

Authorized:
Unlimited number of common shares without par value.

Issuances of share capital:

a) On June 13, 2016, 60,000 common shares were issued on exercise of 60,000 warrants for $0.10 per share.
b) On June 24, 2016, the Company closed a private placement and issued 3,064,000 common shares at $0.10 per share for cash consideration of $306,400.

Securities held in escrow

Pursuant to the escrow agreement, 120,000,000 common shares issued to the shareholders of EAEG Private were escrowed subject to release only with regulatory approval to the release provisions of the escrow agreement. As of August 31, 2017, 18,000,000 (August 31, 2016 - 54,000,000) common shares were still held in escrow.

Stock options

Concurrent with the reverse takeover transaction, the Company adopted its existing stock option rolling plan to reserve 10% of issued shares for issuance to executive officers, directors, employees and consultants of the Company. Under the plan, the exercise price of each option is set on the date of grant at no less than the discount market price of the Company's stock as determined per the CSE policy. Options granted under the plan have a term not to exceed ten years and are subject to vesting provisions as determined by the board of directors. There were no stock options granted during the years ended August 31, 2017 and 2016. There were no stock options outstanding as at August 31, 2017 and 2016. No stock-based compensation expense was recognized for the years ended August 31, 2017 and 2016.

(Expressed in Canadian dollars)

Warrants

Warrant transactions are summarized as follows:

	Number of Warrants		Weighted Average Exercise Price	Weighted Average Life Remaining
Warrants outstanding and exercisable, August 31, 2015	6,875,000	$	0.10	0.80
Warrants exercised	(60,000)		0.10	-
Warrants expired	(6,815,000)		0.10	-
Warrants outstanding and exercisable, August 31, 2016 and 2017	**-**	**$**	**-**	**-**

(Expressed in Canadian dollars)

10. INCOME TAX

The following table reconciles the expected income tax expense (recovery) at the Canadian statutory income tax rates to the amounts recognized in the consolidated statements of operations and comprehensive loss for the years ended August 31, 2017 and 2016:

		2017		2016
Loss before income taxes	$	(912,814)	$	(1,441,002)
Statutory tax rate		26.00%		26.00%
Expected income tax (recovery)		(237,332)		(374,661)
Non-deductible expense		264		150,050
Withholding tax		-		31,783
Foreign tax rate difference		(262)		(1,372)
Change in deferred tax asset not recognized		237,330		213,675
Total income tax expense (recovery)	$	-	$	19,475
Current tax expense (recovery)		-		31,783
Deferred tax expense (recovery)		-		(12,308)
Total income tax expense (recovery)	$	-	$	19,475

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax values. Deferred tax assets (liabilities) at August 31, 2017 and 2016 are comprised of the following:

		2017		2016
Losses carry forward	$	12,136	$	15,351
Equipment		-		(3,043)
Intangible assets		(12,136)		(12,308)
	$	-	$	-

(Expressed in Canadian dollars)

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their corresponding values for tax purposes. The unrecognized deductible temporary differences are as follows:

		2017		**2016**
Property and equipment - Canada	$	51,542	$	11,819
Intangible assets - Canada		208,225		119,225
Charitable donation - Canada		2,730		2,730
Financing costs - Canada		83,200		123,757
Capital losses - Canada		40,636		40,636
Non-capital loss carry forwards - Canada		2,684,691		1,800,907
Non-capital loss carry forwards - Hong Kong		19,678		20,382
Unrecognized deductible temporary differences	$	3,090,702	$	2,119,456

As at August 31, 2017, the Company has not recognized a deferred tax asset in respect of non-capital loss carryforwards of approximately $2,684,691, which may be carried forward to apply against future year income tax for Canadian income tax purposes and approximately $19,678 for Hong Kong income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

Expiry		Canada		Hong Kong
2037	$	824,783	$	-
2036		958,556		-
2035		118,180		-
2034		757,273		-
2033		17,882		-
2032		8,017		-
2021		-		19,678
TOTAL	$	2,684,691	$	19,678

(Expressed in Canadian dollars)

The Company has not recognized a deferred tax asset in respect of capital loss carryforwards of approximately $40,636, which may be carried forward indefinitely to apply against future capital gains for Canadian income tax purposes, subject to the final determination by taxation authorities.

11. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT PERSONNEL COMPENSATION

The Company defines related parties to include significant shareholders, key management and officers and directors, as well as companies controlled by them.

		2017		2016
Due from Zhongjiu (a)	$	-	$	536,320
Due from Shareholders (b)		-		150,538
Due from EA Homestay Inc. (c)		-		29,780
Due from Jiuding Group (Canada) (d)		-		40,000
Due from Rufeng International (e)		-		146,149
Due from related parties	**$**	**-**	**$**	**902,787**
Less: current portion		-		700,747
Due from related parties – non - current	**$**	**-**	**$**	**202,040**
Due to directors and officers (f)		(77,900)		(26,000)
Due to related parties	**$**	**(77,900)**	**$**	**(26,000)**

(a) On March 28, 2012, the Company entered into a Strategic Partnership Cooperation Agreement (the "Agreement") with Guangzhou Zhongjiu Education Consulting Co., Ltd ("Zhongjiu"), a company controlled by the controlling shareholders of the Company Ms. Wen Xu who is a director and also Chairman of the Company and Mr. Weidong Wang who is director and also CEO of the Company. The Agreement is for ten years until March 27, 2022. At the expiry date, the Agreement will be automatically renewed for the same period unless one or both of the parties terminates the Agreement. As a strategic partner of the Company, Zhongjiu is to represent the Company to collectively market and execute the Company's growth strategy in China. Zhongjiu represents the Company in franchising the Company's brand and curriculum services to EA Clubs and helps in the day to day management of the franchising network. Zhongjiu itself also owns an EA Club ("Zhongjiu Club").

In return, the Company waived Zhongjiu Club's brand franchising and service fee until December 31, 2013. The Company has continued to charge Zhongjiu for its ongoing curriculum fees and student registration fees since January 1, 2014. In addition, when the number of the EA Clubs in China reaches more than 50, 20% of the service fee from these clubs will be shared with Zhongjiu. For the year ended August 31, 2017, the revenue from Zhongjiu was $Nil (2016: $172,773). For the year ended August 31, 2016, $54,000 tuition fees of Duke College was received by Zhongjiu on behalf of the Company but was retained by Zhongjiu and was recorded as due from Zhongjiu as at August 31, 2016. As of August 31, 2016, the balance of due from Zhongjiu totaled $536,320 that included interest accrued at 8% annually, was unsecured and due on demand. The balance with interest accrued has been repaid during the year ended August 31, 2017. The Company also has a loan receivable from Zhongjiu of $773,682 (2016 - $721,042) (see Note 12).

(b) In 2016, the Company made advances of $59,096 to the two significant shareholders of the Company (the "Shareholders") Ms. Wen Xu and Mr. Weidong Wang who are also the officers and directors of the Company. In addition, the Shareholders Ms. Wen Xu and Mr. Weidong Wang received $90,000 on behalf of the Company. The balance with interest accrued has been repaid during the year ended August 31, 2017.

(c) EA Homestay Inc. is a company controlled by one of the significant shareholders Ms. Wen Xu noted in (b) above. In fiscal year 2016, EA Homestay Inc. paid certain expenditures in the amount of $17,218 related to the Company's student housing services on behalf of the Company. As at August 31, 2017 there was $nil (August 31, 2016 - $29,780) that was due from EA Homestay Inc. The balance, which bore interest at 8% per annum and unsecured, was repaid during the year ended August 31, 2017.

(d) During the year ended August 31, 2016 the Company made an advance of $40,000 to Jiuding Group Inc., a company controlled by one of the Shareholders of the Company, Ms. Wen Xu, that was unsecured, due on demand and bore interest at 8% per annum. During the year ended August 31, 2017 the balance plus interest accrued was repaid.

(e) During the year ended August 31, 2016 the Company made an advance of $98,230 to Rufeng International (China) ("Rufeng"), a company controlled by the Shareholders of the Company, Mr Weidong Wang and Ms. Wen Xu, that is unsecured and due on demand. In addition, $39,050 tuition fees of Duke College was received by Rufeng on behalf of the Company but was retained by Rufeng. These amounts were recorded as due from Rufeng as at August 31, 2016. The balance, which bore interest at 8% per annum, was due on demand and unsecured. During the year ended August 31, 2017, the balance plus interest accrued was repaid.

(f) Due to directors and officers represents the director fees payable to the Company's directors Mr. Zu Zheng, Mr. Simon Tam, and Mr. Stan Grunzenweig.

For the years ended August 31, 2017 and 2016, the Company incurred compensation to the Company's officers and directors in the amount as follows.

(Expressed in Canadian dollars)

		2017		2016
Salaries, consultant fees and other benefits	$	256,333	$	179,298
Directors' fees		60,000		60,000
	$	316,333	$	239,298

During the year ended August 31, 2016, Mr. Zu Zheng a director of the Company forgave consulting fee payable of $40,000, of which $26,000 incurred for the year ended August 31, 2015 and $14,000 incurred for the year ended August 31, 2016. The Company paid each of the Shareholders Ms. Wen Xu and Mr. Weidong Wang $12,000 director fees for the year ended August 31, 2017 (2016 - $12,000) that was recorded as a reduction to the balance owed by the related parties (Note 11(a)(b)(c)(d)(e)). The Company accrued $12,000 director fee for each of the other three directors of which $16,000 was paid during the year in 2017.

During the year ended August 31, 2016, Ms. Wen Xu the Chairman of the Company forgave salary in the amount of $30,000.

(g) The Company rented one property from one of the Shareholders Ms. Wen Xu for the Company's student housing services and paid rent in the amount of $20,000 for the year ended August 31, 2017 (2016 - $60,000).

(h) The Company recognized interest income of $85,363 for the year ended August 31, 2017 (2016 - $98,401) in the consolidated statements of operations related to due from related parties and promissory notes from Zhongjiu (Note 12), which all bear interest at 8% per annum.

(i) The above related party transactions were in the normal course of business as the related parties acted as agents for the Company's business and collected the payments from the clients before remitting the fund to the Company. The related party transactions were initially recognized at the amount expected to be received less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

12. LOAN RECEIVABLE

Loan receivable consisted of the following:

(a) A loan agreement with Access International Education Inc., a Canadian public company (symbol: AOE) was signed on November 27, 2013 for a principal amount of $150,000. The loan receivable was unsecured and bore interest at 8% per annum. The loan receivable is renewable every 3 months at the option of the Company. The balance of this loan plus interest receivable was $171,271 as of August 31, 2015. In 2016, $90,000 was received by the Shareholders of the Company and recorded as due from the Shareholders, and the balance of $81,271 was written off in the year ended August 31, 2016 due to the balance is estimated not to be receivable because Access International Education Inc. had no financial resources to meet its liabilities and obligations as at August 31, 2016.

(b) Promissory notes agreements with the related party, Zhongjiu, were signed in 2015 for a total principal amount of $658,000. The promissory notes bear interest at 8% per annum and are repayable in one year from the day of advance. The total balance of the promissory notes plus interest was $773,682 as of August 31, 2017 (2016 - $721,042). On June 21, 2017, the Shareholders have personally signed a Guarantee (the "Guarantee") to the Company to guarantee for the repayment of the loans receivable, due from related party (Note 11) and the receivables from EA Clubs before December 31, 2017. One of the Shareholders' personal real estate assets in Toronto is used as collateral that has a fair market value over $10.0 million and mortgages of $6.9 million.

On January 19, 2018, the Board of the Company has a resolution to agree the extension of the repayment to December 31, 2018 for the loans receivable and the accounts receivable from EA Clubs guaranteed by the Shareholders.

(c) Subsequent to the year end, the Shareholders of the Company, Ms. Wen Xu and Mr. Weidong Wang have repaid a total of $365,618 to the Company which covered full balance of the accounts receivable from EA Clubs and partial balance of the loans receivable.

13. FINANCIAL INSTRUMENTS, RISK AND CAPITAL MANAGEMENT

Fair Value

Assets and liabilities carried at fair value must be classified using a three-level hierarchy that reflects the significance and transparency of the inputs used in making the fair value measurements:

- Level 1 - inputs are unadjusted quoted prices of identical instruments in active markets;
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 - one or more significant inputs used in a valuation technique to determine fair value are unobserved.

The carrying amount of the Company's cash, accounts receivable, due to and due from related parties, accounts payable and accrued liabilities approximate their fair values because of the short-term nature of these financial instruments.

The fair value of loans receivable, which is carried at amortized cost and bears interest at 8% per annum, approximates the carrying value considering the counterparties credit risk and relevant market interest rates.

Risk

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

Credit risk

Credit risk is the loss associated with counterparty's inability to fulfill its payment obligations. The Company's exposure to credit risk includes cash, accounts receivable, loans receivable and due from related parties. The Company's maximum exposure to credit risk is equal to the carrying value of these financial assets. The Company reduces its credit risk by: maintaining its bank accounts at large financial institutions, and monitoring accounts receivables. The trade receivables, loans receivable as of August 31, 2017 are guaranteed by the Shareholders. Please refer to Note 12(b) for details.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity risk is to ensure that sufficient cash and credit facilities are available to meet liabilities when due. As at August 31, 2017, the Company had working capital (deficiency) of ($552,378) (2016 - $94,169). The ability to do this relies on the Company collecting its trade receivables in a timely manner and receive repayment for its loan receivable to maintain sufficient cash in excess of anticipated needs.

Currency Risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. A significant change in the currency exchange rate between the Canadian Dollar relative to Chinese Yuan would not have a significant effect on the Company's results of operations during the years ended August 31, 2017 and 2016.

Interest Rate Risk

The Company is only subject to interest rate risk on its bank indebtedness. However, this balance is temporary and the fluctuation of the interest rate would not have a significant effect on the Company's results of operations during the years ended August 31, 2017 and 2016.

Capital Management

The Company's capital management objectives are to ensure sufficient liquidity to support its financial obligations and raise the necessary equity financing to execute its operating and strategic growth plans.

(Expressed in Canadian dollars)

14. SEGMENT INFORMATION

The Company operates in a single segment, being the provider of education programs to students in China and Canada. In presenting information on the basis of geographical information, segment revenue is based on the geographical location of the customers. A summary of geographical information for the Company's revenue for the years is as follows:

		2017		2016
Canada	$	806,727	$	706,985
China		10,237		471,222
Total	$	816,964	$	1,178,207

15. COMMITMENTS

The Company and its subsidiaries have entered into operating leases on certain premises and motor vehicles, with lease term between one year and four years.

Future minimum rentals payable under non-cancellable operating leases as at August 31, 2017 is, as follows:

		August 31, 2017
Within one year	$	154,358
After one year but not more than five years		89,117
Total Commitments	$	243,475

The Company terminated the lease of one of its premises in December 2016 before the original term expiring on May 31, 2017. The Company is required to pay the landlord of the premise sum of $57,281. Payment of the settlement funds will occur as follows: $10,000 in June 2017 (paid), with the balance of $47,281 payable in nine monthly instalments of $5,000, and a final instalment of $2,281, due on the first business day of each month, commencing August 1, 2017. The amounts of $42,281 have been accrued as accounts payable as of August 31, 2017.

(Expressed in Canadian dollars)

16. GENERAL AND ADMINISTRATION EXPENSES

		August 31, 2017		August 31, 2016
Bad debt	$	860	$	-
Bank charges		5,187		4,309
Commissions		192,576		100,798
Depreciation and amortization		73,999		27,930
Office expense		93,883		101,325
Other tax expenses		-		27,180
Payroll and consulting		605,759		734,417
Professional fees		138,393		161,023
Rent		67,687		93,529
Travel, automobile and entertainment		39,959		64,744
	$	1,218,303	$	1,315,255

17. EVENTS AFTER THE REPORTING PERIOD

(a) On December 15, 2017 the Company announces that it has terminated the existing Strategic Partnership Cooperation Agreement with Zhongjiu signed in 2012.

(b) On December 22, 2017 the Company has entered into a conditional sale and purchase agreement (“the Agreement”) among the Company and Duke (collectively, the “Sellers”) and Dong-An Educational Services Canada Inc. (the “Purchaser”) that contemplates the sale to the Purchaser of 100% of the issued shares of Duke held by the Company (“Sale Shares”). The aggregate purchase price to be paid for the Sale Shares is $258,000, of which $100,000 has already been paid for subsequent to August 31, 2017 and the balance of $158,000 is payable as follows:

$100,000 is payable approximately one month after the date of closing; and
$58,000 is payable approximately two months after the date of closing.

(c) In January 2018, the Board of the Company has a resolution to agree the extension of the repayment to December 31, 2018 for the loans receivable and the accounts receivable from EA Clubs guaranteed by the Shareholders.