EA EDUCATION GROUP INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended August 31, 2017

Dated: March 28, 2018

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

This management's discussion and analysis ("MD&A") reports on the operating results and financial conditions of EA Education Group Inc. ("EA" or the "Company") for the year ended August 31, 2017. This MD&A should be read in conjunction with the audited consolidated financial statements and accompanying notes of the Company for the year ended August 31, 2017 and the MD&A for the year then ended. These statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). Other information contained in these documents has also been prepared by management and is consistent with the data contained in the Financial Statements. Reference should also be made to the Company's filings with Canadian securities regulatory authorities which are available at www.sedar.com.

This MD&A is the responsibility of management. The Board of Directors carries out its responsibility for the review of this disclosure directly and through its audit committee. The audit committee reviews and prior to its publication, approves, pursuant to the authority delegated to it by the Board of Directors, this disclosure. This MD&A was reviewed and approved by the audit committee and the board on March 28, 2018.

All dollars amounts referred to in this MD&A are expressed in Canadian dollars except where indicated otherwise.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this report may constitute forward-looking statements that are subject to certain risks and uncertainties. A number of important factors could cause actual outcomes and results to differ materially from those expressed in these forward-looking statements. These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. The use of any of the words "continue", "expect", "may", "will", "believe", "should" and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Consequently, readers should not place any undue reliance on such forward-looking statements. In addition, these forward-looking statements relate to the date on which they were made. These forward-looking statements include, but are not limited to, statements relating to:

- The Company’s ability to continue as a going concern;
- The Company’s ability to raise additional capital through the issuance of equity or debt instruments;
- The Company’s strategies and objectives;
- General business and economic conditions;
- The Company’s ability to meet its financial obligations as they become due;
- The Company’s ability to identify, successful negotiate and/or finance an acquisition of a new business opportunity;
- The negative cash flows from operations and financial viability of new business opportunities;
- The Company’s ability to manage growth with respect to a new business opportunity; and
- The Company’s tax position, anticipated tax refunds and the tax rates applicable to the Company.

Readers are cautioned that the lists of risks, uncertainties, assumptions and other factors are not exhaustive. Events or circumstances could cause actual results to differ materially from those estimated or projected and expressed in, or implied by these forward-looking statements. Due to the risks, uncertainties and assumptions inherent in forward-looking statements, investors in securities of the Company should not place undue reliance on these forward-looking statements. The forward-looking statements contained in this document are made as of the date hereof.

OVERVIEW

EA Education Group Inc. (the “Company” or “EAEG”) 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. The reverse takeover (“RTO”) resulted in the previous shareholders of EAEG Private obtaining control of the combined entity. Subsequent to the acquisition, Kenieba amalgamated with EAEG Private and the new Company continues as the name “EA Education Group Inc.” and its stock symbol changed from “KEN” to “EA”.

The Company, together with its subsidiaries, used to provide international educational service and comprehensive student housing services in Canada, and to franchise its programs and courses to

franchisees China. The address of the Company's corporate office and principal place of business is 4576 Yonge Street, Unit 600, Toronto, Ontario, M2N 6N4. Currently the Company has terminated the above business in education and is looking for new business.

RESULTS OF OPERATIONS

Year ended August 31, 2017

The Company reported a net loss of $912,814 for the year ended August 31, 2017, compared with a net loss of $1,460,477 for the year in 2016. Basic and diluted loss per share was $0.01 for the year 2017 compare to $0.01 for the year in 2016.

Revenue

For the year ended August 31, 2017, revenue was $816,964 compared to $1,178,207 revenue the year before. The significant decrease in revenue was mainly due to the franchising revenues from China decreased from $471,222 in the year 2016 to $10,237 in the year 2017 due to some Clubs terminated the franchising agreements with EA.

Direct Costs

For the year ended August 31, 2017, direct costs were $494,422 compared to $652,117 year in 2016 mainly due to increase in payroll expenses and course development expenses for online courses, and increase in rent after moving to new office campus.

Expenses

For the yearyear ended August 31, 2017, administrative expenses amounted to $1,218,302 compared to $1,315,255 in 2016. The decrease was mainly due to reduced administrative payroll and consulting expenses after combining the EA and Duke campus office and laying off some administrative staff in the period. A breakdown of the administrative expenses were as below.

		2017	2016
Depreciation and amortization	$	73,999	27,930
Bank charges		5,187	4,309
Professional fees		138,393	161,023
Payroll and consulting		605,759	734,417
Travel, automobile and entertainment		39,959	64,744
Commission		192,576	100,798
Rent expense		67,687	93,529
Office expense		93,882	101,325
Bad debt		860	-
Other tax expense		-	27,180
	$	1,218,302	1,315,255

The commission paid to student recruiting agent increased in the year 2017 to $192,576 from $100,798 in 2016 due to change in commission policy and increased revenue of Duke.

Marketing and promotion expense of $49,217 compared to $139,915 for the year 2016 as there was less marketing and promotion activities in 2017.

For the year 2017, the Company recorded $85,363 interest income (2016 - $98,401), and income taxes expenses of $nil (2016 - $19,475).

Cash flows

For the year ended August 31, 2017, the operating activities of the Company used a cash of $53,196 compared to a net use of cash of $813,200 for the year 2016. The investing activities received a net cash flow of $Nil (2016 - 87,151). Under IAS 7 paragraph 16(e), cash flows arising from investing activities include for example cash advances and loans made to other parties. The Company’s reports the amounts to and from related parties for the interest-bearing loans and advances as investing activities cash flows.

Three months ended August 31, 2017

The Company reported a net loss of $421,493 for the three months ended August 31, 2017 compared with a net loss of $942,599 for the same period in 2016. The basic and diluted loss per share for the three months in 2017 was $0.01, compared to $0.01 for the same period in 2016. The significant higher loss in the comparative period in 2016 was due to a one-time impairment of goodwill of $281,137 and impairment of intangible assets of $273,915.

SELECTED CONSOLIDATED FINANICAL INFORMATION

		August 31, 2017	August 31, 2016	August 31, 2015
Revenues	$	816,964	1,178,207	1,606,346
Net loss	$	912,814	1,460,477	2,013,909
Loss per share, basic and diluted	$	0.01	0.01	0.02
Cash and cash equivalents	$	12,340	62,657	439,383
Total current assets	$	447,948	1,274,112	2,414,686
Total assets	$	1,246,585	2,339,877	3,197,502
Total current liabilities	$	1,000,456	1,179,943	875,576
Total long-term liabilities	$	Nil	Nil	12,308

The annual revenues increased from the year 2014 to 2015, mainly due to expanding of franchising network in China, and the acquisition of Duke College Inc. in the year 2015. But the franchising network's operating performance was not as expected and the revenues decreased from 2015 to 2016 and further in the year 2017 was mainly due to significant decrease of revenue from the franchisees in China.

SEGMENT INFORMATION

The Company operated 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 three and yearyears is as follows:

			Year ended August 31, 2017		Year ended August 31, 2016
Canada	$	$	806,727	$	570,336
China			10,237		396,048
Total	$	$	816,964	$	966,384

SUMMARY OF QUARTERLY RESULTS

		Q4'17		Q3'17		Q2'17		Q1'17
Revenue	$	(13,448)	$	267,877	$	260,599	$	301,936
Net income (loss)	$	(421,493)	$	(159,737)	$	(176,443)	$	(130,941)
		Q4'16		**Q3'16**		**Q2'16**		**Q1'16**
Revenue	$	211,823	$	226,560	$	297,824	$	442,000
Net income (loss)	$	(942,599)	$	(337,716)	$	(163,008)	$	(17,154)

The Company’s business is seasonal, and the results of its operations depend significantly upon the nature of its services, the commencing time of student housing services and international education exchange events. These potential seasonality factors should also be considered together with the trend of the business. The Company’s student housing offering, in relation to international student services, are rental and sale of any homestay related services. At present, the target geographical area of the service offering is in the Great Toronto Area.

The revenue of the Company had been decreasing quarterly since the fourth quarter of 2015, mainly due to the significant decrease of revenue from China due to the franchising network did not perform as expected. The low revenue in the last quarter of 2017 was due to a year end adjustment of the revenue from China for year 2017. The net loss for the fourth quarter of 2016 was significantly higher as it included a total impairment loss of $636,323 for impairment of goodwill, intangible assets and loan receivable. The high net loss for the third quarter of 2016 was due to low income for that quarter and high payroll and consulting expenses. The high loss in the fourth quarter of 2015 was due to an one-time listing expenses of $1,006,340 recorded for that quarter.

LIQUIDITY AND CONTINUANCE OF OPERATIONS

The Company had a working capital deficit of $552,508 as of August 31, 2017 (2016 – $94,169). As of August 31, 2017, the Company had a cash balance of $12,340 (2016 - $62,657) but had a bank indebtedness of $39,802 (2016 - $36,923), accounts payable and accrued liabilities of $597,824 (2016 - $529,427), deferred unearned revenue of $284,930 (2016 - $587,593) and a due to directors and officers of $77,900 (2016 - $26,000). The Company was mainly relying on funds from private placements and repayment of debts from related parties. In the long run, the management plans to focus on profitability through generating revenue growth and improving operating cash flow. In a short period, the management has been executing a plan to collect the accounts receivables from customers, and to pursue the repayment of the loan receivable and due from related parties, to have cash to meet the bank indebtedness and accounts payable and accrued liabilities obligations. In the year 2017 the Company was able to collect $752,249 payment from related parties and $150,538 payment from shareholders to supporting the operating. The controlling Shareholders have signed agreement to guarantee the repayment of the related party balances by the end of December 2018.

The continuation of the Company as a going concern is dependent upon the continued financial support from its shareholders and related parties, the ability of the Company to obtain necessary debt and equity financing to achieve its operating and developing objectives, and the Company’s continuance of profitable operations. Management will continue, as appropriate, to seek other sources of financing on favourable terms as required; however, there are no assurances that any such financing can be obtained on favourable terms, if at all. The outcome of these matters cannot be predicted at this time.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

Operating leases:

The Company has entered into various operating lease agreements for leased premises and rental properties for student housing in the normal course of operations, with the rents being charged to operations incurred during the year. The minimum operating lease payments in successive years are as follows:

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

The Company terminated the lease of one of its premises in December 2016 before the original term expiring on August 31, 2017. The Company will 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.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not enter into off-balance sheet arrangements with special purpose entities in the normal course of its business, nor does it have any unconsolidated affiliates.

SHARE CAPITAL

As at the date of this report, the Company has 174,256,868 common shares outstanding, no warrants or options outstanding.

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 the date of this MDA, no (2016 - 54,000,000) common shares are still held in escrow.

Stock option plan

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, 2016 and in the period in 2017. There were no stock options outstanding as at August 31, 2017 and 2016.

FINANCIAL INSTRUMENTS, RISKS 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 and cash equivalents, accounts receivable, due to and due from related parties, loans receivable, accounts payable and accrued liabilities approximate their fair values because of the short-term nature of these financial instruments.

Risks

Please refer to the Note 15 to the audited consolidated financial statements of the Company for the year ended August 31, 2017 for the risks and risk management. There has been no material change to the Company's risk and risk management activities since 2017.

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. In the management of capital, the Company includes items in shareholders' equity (excluding accumulated other comprehensive income) in the definition of capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Board of Directors oversees the Company's capital structure and financial management, approves matters related to acquisitions, investments and financing and continuously monitors the Company's exposure to financial risks.

The Company is still currently in its development stage, and has not paid dividends on any occasion, but has instead reinvested the generated cash mainly to finance ongoing development activities and thereby create growth for the Company. As such, the Company is dependent on external financing to fund its activities. In order to carry out the planned business expansion and pay for administrative costs, the Company will spend its funds available and raise additional amounts as needed.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

TRANSACTIONS WITH RELATED PARTIES

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

		August 31, 2017		August 31, 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) (f)		-		40,000
Due from Rufeng International (g)		-		146,149
Due from related parties	**$**	**-**	**$**	**902,787**
Less: current portion (Note 12(1))		-		700,747
Due from related parties – non - current	**$**	**-**	**$**	**202,040**
Due to directors and officers (d)		(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 local Chinese schools (“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 by Zhongjiu. For the year ended August 31, 2016, the revenue from Zhongjiu was $172,773. For the year ended August 31, 2016, $54,000 tuition fees of Duke College had been 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, 2017, the balance of due from Zhongjiu totaled $nil (2016 - $536,320) that included interest accrued at 8% annually and was repaid in 2017. The Company also has a loan receivable from Zhongjiu of $760,144 (see Note 12(b) to the August 31, 2017 audited consolidated financial statements).

Subsequent to August 31, 2017, the Company terminated this Strategic Partnership Cooperation Agreement with Zhongjiu on October 20, 2017.

(b) In 2016, the Company made advances of $59,096 to the Shareholders Ms. Wen Xu and Mr. Weidong Wang, and the Shareholders received $90,000 on behalf of the Company. In the year 2017 the balance from the Shareholders of $150,538 plus $1,280 interest accrued at 8% annually in the period was repaid.

(c) EA Homestay Inc. is a company controlled by one of the significant shareholders Ms. Wen Xu noted in the (a) above. In the fiscal year of 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 bears interest of 8% per annum and unsecured, was repaid in the year 2017.

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

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.

	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 has forgiven 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 fiscal year ended August 31, 2017 (2016 - $12,000) that was recorded as a reduction to the balance owed by the related parties (Note 12 to the August 31, 2017 unaudited condensed interim consolidated financial statements). 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. In 2017 consulting fee of $58,333 plus HST was charged by a company controlled by the CFO of the Company, of which $33,900 was payable as of August 31, 2017.

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

(e) 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 - $69,000).

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

(g) During the year ended August 31, 2016 the Company made an advance of $98,230 to Rufeng International (China), 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 had been received by Rufeng International (China) on behalf of the Company but was retained by Rufeng and was recorded as due from Rufeng as at August 31, 2016. The balance, which bears interest of 8% per annum, was due on demand, unsecured. In the year ended August 31, 2017, the balance plus interest accrued was repaid.

(h) The Company expects to receive 100% of the outstanding balance and interest from the related parties, which is guaranteed by the Shareholders Ms. Wen Xu and Mr. Weidong Wang and secured by the Shareholders' personal real estate asset in Toronto, by December 31, 2018.

(i) 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(b) to the August 31, 2017 audited consolidated financial statements), which all bear interest of 8% per annum.

(j) 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.

EVENTS AFTER THE REPORTING PERIOD

(a) On December 15, 2017 the Company announces that it has terminated the existing Strategic Partnership Cooperation Agreement with Guangzhou Zhongjiu Education Consulting Co., Ltd. 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 College Inc. (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 College Inc. 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 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.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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 to the audited 2016 consolidated financial statements for more information.

Impairment of Loans & Receivables

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 acquisition of Duke College Inc. are most sensitive to the assumptions including gross margin, discount rates, and growth rate. Please refer to Note 7 to the 2016 audited consolidated financial statements 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 Notes 10 and 17 to the audited 2016 consolidated financial statements.

ACCOUNTING POLICIES AND RECENT PRONOUNCEMENTS

The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of the audited annual financial statements as at August 31, 2017 (Note 3 to the 2017 audited consolidated financial statements). The Company's accounting policies did not change in the years since 2016.

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 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.

OUTLOOK

The demand and requirement for EA's services are growing as more and more international students turn to Canada as a viable learning country.

The Company's business is facing some difficulties and the revenues are decreasing. The Company is currently reviewing its business and strategies in an effort to find better business strategies to fit into its future growing plan.

The National Instrument 51-102 requires the Company to discuss in its MD&A events and circumstances that occurred during the period to which the MD&A relates that are reasonably likely to cause actual results to differ materially from material forward-looking information for a period that is not yet complete that the reporting issuer previously disclose to the public. The management believes that the fact that some EA clubs had terminated their agreements and cooperation with the Company is such an event and circumstance, that will cause the actual results of the operating of the year 2016 and the coming few years greatly different from what had been previously forecasted and disclosed to the public.