EA EDUCATION GROUP INC.

CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)

FOR THE YEARS ENDED AUGUST 31, 2018 and 2017

MNP LLP

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 statements of financial position as at August 31, 2018 and 2017, 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, 2018 and 2017 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
November 30, 2018

MNP LLP
Chartered Professional Accountants

EA EDUCATION GROUP INC.

Consolidated Statements of Financial Position
As at August 31, 2018 and 2017
(Expressed in Canadian dollars)

	Notes	2018	2017
		$	$
Assets			
Current			
Cash		58,783	12,340
Accounts receivable and other receivables	6	79,228	429,376
Due from related parties	9	11,807	-
Prepaid expenses and deposit		33,462	6,232
		183,280	447,948
Long term deposit		-	9,341
Loans receivable	10	-	773,682
Plant and equipment	7	10,806	15,484
Total assets		194,086	1,246,455
Liabilities			
Current			
Bank indebtedness		2,559	39,802
Accounts payable and accrued liabilities		463,530	597,824
Sublease deposits	14	23,304	-
Deferred revenue		-	284,930
Due to related parties	9	56,600	77,900
Total liabilities		545,993	1,000,456
Equity			
Share capital	8	4,517,961	4,517,961
Reserve		162,670	162,670
Accumulated other comprehensive loss		(6,855)	(2,553)
Deficit		(5,025,683)	(4,432,079)
		(351,907)	245,999
Total liabilities and equity		194,086	1,246,455

Nature of operations and going concern (Note 1)
Commitments (Note 14)

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
For the years ended August 31, 2018 and 2017
(Expressed in Canadian dollars, except number of shares)

	Notes	2018	2017
		$	$
Revenues		6,300	109,565
Expenses			
Direct operating costs		360	158,574
General and administrative expenses	15	758,935	823,939
Research and development	16	106,195	-
Marketing and promotion		169,543	13,208
Impairment of intangible assets		-	29,000
Impairment of plant and equipment	7	-	24,200
Interest income	10	(35,840)	(85,363)
		999,193	963,558
Net loss from continuing operations		(992,893)	(853,993)
Net income (loss) from discontinued operations	17	65,487	(58,821)
Gain on disposal of discontinued operations	17	333,802	-
Net loss		(593,604)	(912,814)
Other comprehensive loss			
Items that will be reclassified subsequently to loss:			
Loss on translation of foreign operations		(4,302)	(1,121)
Total comprehensive loss		(597,906)	(913,935)
Basic and diluted loss per share		(0.00)	(0.01)
Basic and diluted loss per share from continuing operations		(0.01)	(0.00)
Weighted average number of shares outstanding			
Basic and diluted		174,256,868	174,256,868

See accompanying notes to the consolidated financial statements.

EA EDUCATION GROUP INC.

Consolidated Statements of Changes in Equity
For the years ended August 31, 2018 and 2017
(Expressed in Canadian dollars, except number of shares)

	Notes	Common shares		Reserve	Accumulated other comprehensive loss	Deficit	Total shareholders' equity
		Shares	Amount				
			$	$	$	$	$
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**
Net loss for the year		-	-	-	-	(593,604)	(593,604)
Translation of foreign operations		-	-	-	(4,302)	-	(4,302)
Balance at August 31, 2018		**174,256,868**	**4,517,961**	**162,670**	**(6,855)**	**(5,025,683)**	**(351,907)**

See accompanying notes to the consolidated financial statements.

EA EDUCATION GROUP INC.

Consolidated Statements of Cash Flows
For the years ended August 31, 2018 and 2017
(Expressed in Canadian dollars)

	Notes	2018	2017
		$	$
Operating activities			
Net loss		(593,604)	(912,814)
Items not involving cash			
Bad debt expense		-	860
Depreciation		4,394	73,999
Impairment of intangible assets		-	29,000
Impairment of PPE		-	24,200
Interest income		-	(52,640)
Gain on disposal of Duke College	17	(333,802)	-
Changes in non-cash working capital			
Accounts receivable and other receivables		350,148	63,391
Due from related parties		(11,807)	904,682
Deferred revenue		(284,930)	(302,663)
Accounts payable and accrued liabilities		(110,991)	68,397
Prepaid expenses		(17,889)	(1,508)
Due to related parties		(21,300)	51,900
		(1,019,781)	(53,196)
Investing activities			
Proceeds received from sales of Duke College	17	258,000	-
Disposition of Duke College, net of cash	17	134,919	-
Cash disposed from sale of Duke College	17	(53,584)	-
Purchase of plant and equipment	7	(13,650)	-
		325,685	-
Financing activities			
Bank indebtedness		(37,243)	2,879
Repayment of loans receivable	10	773,682	-
		736,439	2,879
Effect of exchange rate changes		4,100	-
Increase (decrease) in cash		46,443	(50,317)
Cash, beginning of year		12,340	62,657
Cash, end of year		58,783	12,340

Cash flows of discontinued operations (Note 17)
See accompanying notes to the consolidated financial statements.

1. NATURE AND CONTINUANCE OF OPERATIONS

EA Education Group Inc. (the "Company") was incorporated pursuant to the provisions of the *Business Corporations Act (Ontario)* on November 21, 1995. The address of the Company's corporate office and principal place of business is 305 – 3190 Steeles Avenue East, Markham, Ontario L3R 1G9. The Company, together with its subsidiaries, provides international educational service and comprehensive student housing services in Canada and China.

In the year ended August 31, 2018 the Company disposed of its subsidiary Duke College Inc. that used to provide international educational service and comprehensive student housing services in Canada and terminated its business in China, and is currently in the process of restructuring into a new business of operating an e-commerce platform for education.

The consolidated financial statements for the years ended August 31, 2018 and 2017 were approved and authorized for issuance by the Board of Directors of the Company on November 30, 2018.

Going Concern

These consolidated financial statements have been prepared on a going concern basis, which assumes the realization of assets and discharge of liabilities in the normal course of business within the foreseeable future. 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. It is management's assessment that the going concern assumption is appropriate based on its continued ability to raise funds and its ability to develop profitable operations.

For the year ended August 31, 2018, the Company reported a net loss of $593,604 and as at that date had deficit of $5,025,683. While in the past, the Company has been successful in obtaining funding from equity financings, shareholders' loans or through other arrangements, there is no assurance that these 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 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"). The policies applied in these consolidated financial statements are based on the IFRS issued and outstanding as at the date the Board of Directors approved these consolidated financial statements for issue.

Basis of Measurement

These consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments measured at fair value, and prepared using the accrual basis of accounting.

Functional and Presentation Currency

The functional currency of the Company and its disposed 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 EA Education Group Inc. and its wholly-owned subsidiaries EA International Education Co., Limited. Duke College Inc. is included as a discontinued operation in the consolidated financial statements of the Company up until the date of its disposal on April 30, 2018.

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.

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

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.

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") until December 15, 2017, on which the Company terminated the existing Strategic Partnership Cooperation Agreement with Guangzhou Zhongjiu Education Consulting Co. Ltd. ("Zhongjiu"), a company controlled by the controlling shareholders of the Company. 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.

Discontinued Operations

Classification as a discontinued operation occurs on disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the Consolidated Statements of Operations and Comprehensive Loss is represented in a format as if the operation had been discontinued from the start of the comparative period.

The Company presents the Net Income from Discontinued Operations as net amount on the Consolidated Statements of Operations and Comprehensive Loss.

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.

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 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.

5. IFRS STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

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. The Company will adopt this new standard for its fiscal year starting from September 1, 2018 and believe the adoption will not have significant impact on its financial statements.

- *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 January 1, 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, in particular, the identification of performance obligations under IFRS 15 and the allocation of total consideration to the respective performance obligations that will be based on relative fair values.

- *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.

6. ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

Accounts receivable consisted of trade receivables of $4,628 (2017 - $253,060) and HST receivable of $74,600 (2017 - $176,316) as of August 31, 2018.

(Expressed in Canadian dollars)

7. PLANT AND EQUIPMENT

Cost

	Leasehold Improvements	Furniture and Equipment	Computer Equipment	Vehicles	Total
Balance, August 31, 2016 and 2017	$ 14,087	$ 62,242	$ 10,632	$ 5,673	$ 92,634
Additions	9,425	4,225			13,650
Disposition of Duke (Note 17)	-	(26,129)	-	-	(26,129)
Other disposal	(14,087)	(36,113)	(10,632)	(5,673)	(66,505)
Balance, August 31, 2018	**$ 9,425**	**$ 4,225**	**$ -**	**$ -**	**$ 13,650**
Accumulated depreciation					
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
Depreciation	2,570	274			2,844
Disposition of Duke (Note 17)		(12,195)			(12,195)
Other Disposal	(14,087)	(34,562)	(10,633)	(5,673)	(64,955)
Balance, August 31, 2018	**$ 2,570**	**$ 274**	**$ -**	**$ -**	**$ 2,844**
Net Carrying Amounts					
Balance, August 31, 2017	$ -	$ 15,485	$ -	$ -	$ 15,484
Balance, August 31, 2018	**$ 6,855**	**$ 3,951**	**$ -**	**$ -**	**$ 10,806**

8. SHARE CAPITAL

Authorized:
Unlimited number of common shares without par value.

Issuances of share capital:

There were no new shares issued in the reporting periods.

Stock options

The Company's 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, 2018 and 2017. There were no stock options outstanding as at August 31, 2018 and 2017. No stock-based compensation expense was recognized for the years ended August 31, 2018 and 2017.

(Expressed in Canadian dollars)

9. 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.

		2018		2017
Due from shareholders (a)	$	11,807	$	-
Due from related parties	**$**	**11,807**	**$**	**-**

		2018		2017
Due to directors and officers (a)	$	(56,600)	$	(77,900)
Due to related parties	**$**	**(56,600)**	**$**	**(77,900)**

(a) Due to directors and officers represents the director fees payable to the Company's directors Mr. Zu Zheng, Mr. Simon Tam (former director), and Mr. Stan Grunsenweig, and consulting fees payable to a company controlled by the CFO of the Company.

During the year ended August 31, 2018 the Company accrued $12,000 (2017 - $12,000) director fee for each of the above three directors, and $60,000 (2017 - $60,000) consulting fee to the CFO of the Company.

During the year ended August 31, 2018 the Company paid $120,000 (2017 - $120,000) to Wen Xu the Chairman of the Company and $78,000 (2017 - $78,000) to the Weidong Wang the CEO of the Company (the "Shareholders"), and paid each of the Shareholders $12,000 director fees (2017 - $12,000) that was recorded as a reduction to the balance owed by the related parties. As of August 31, 2018, the Company has a receivable balance from the Shareholders in the amount of $11,807 (2017 - $nil)

As at August 31, 2017 the Company had $253,060 trade accounts receivable from the EA Clubs that was guaranteed by the Shareholders. In the year ended August 31, 2018, the Shareholders have repaid the amount in full to the Company.

(b) The Company rented one property from one of the Shareholders in the year ended August 31, 2017 for the Company's student housing services. This has been terminated in 2018 and incurred rent in the amount of $nil for the year ended August 31, 2018 (2017 - $20,000).

(c) The Company recognized interest income of $35,840 for the year ended August 31, 2018 (2017 - $85,363) in the consolidated statements of operations and comprehensive loss related to due from related parties and promissory notes from Zhongjiu (Note 10), which all bear interest of 8% per annum.

10. LOAN RECEIVABLE

Promissory notes agreements with the related party, Zhongjiu were signed in 2015 for principal amount of $658,000. The promissory notes bear interest of 8% per annum and are repayable in one year from the day of advance.

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, 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.

On August 9, 2018 the outstanding principal plus interest accrued in total of $809,522 was repaid in full. The interest income recorded in the year ended August 31, 2018 was $35,840 (2017 - $85,363). (Note 9(c))

11. 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, bank indebtedness, accounts payable and accrued liabilities approximate their fair values because of the short-term nature of these financial instruments.

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 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 receivables.

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, 2018, the Company had working capital deficiency of $362,713 (2017 - $552,508). The ability to do this relies on the Company to generate income in the future or raise capital in a timely manner to maintain sufficient cash in excess of anticipated needs.

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, 2018 and 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. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support its operations and business development.

(Expressed in Canadian dollars)

12. 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, 2018 and 2017:

	2018	2017
Loss before income taxes from continuing operation	$ (992,893)	$ (853,993)
Statutory tax rate	26.50%	26.50%
Expected income tax (recovery)	(263,117)	(226,308)
Non-deductible expense	3,453	264
Foreign tax rate difference	69	(262)
Change in deferred tax asset not recognized	259,595	226,306
Total income tax expense (recovery)	$ -	$ -

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, 2018 and 2017 are comprised of the following:

	2018	2017
Losses carry forward	$ -	$ 12,136
Intangible assets	-	(12,136)
	$ -	$ -

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:

(Expressed in Canadian dollars)

		2018		2017
Property and equipment - Canada	$	2,845	$	43,229
Intangible assets - Canada		-		208,225
Charitable donation - Canada		2,730		2,730
Financing costs - Canada		42,643		83,200
Capital losses - Canada		164,532		40,636
Non-capital loss carry forwards - Canada		3,221,581		2,684,691
Non-capital loss carry forwards - Hong Kong		21,116		19,678
Unrecognized deductible temporary differences	$	3,455,447	$	3,082,389

As at August 31, 2018, the Company has not recognized a deferred tax asset in respect of non-capital loss carryforwards of approximately $3,221,581, which may be carried forward to apply against future year income tax for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

Expiry		Canada
2038	$	1,016,885
2037		927,322
2036		587,555
2034		671,937
2033		17,882
TOTAL	$	3,221,581

As at August 31, 2018, the Company has not recognized a deferred tax asset in respect of non-capital loss carryforwards of approximately $21,116, which may be carried forward indefinitely to apply against future year income tax for Hong Kong income tax purposes, subject to the final determination by taxation authorities.

The Company has not recognized a deferred tax asset in respect of capital loss carryforwards of approximately $164,532, 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.

(Expressed in Canadian dollars)

13. 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 period is as follows:

		2018		2017
Canada	$	6,300	$	99,328
China		-		10,237
Total	$	6,300	$	109,565

14. COMMITMENTS

The Company and its subsidiary have entered into operating leases on certain premises and motor vehicles, with lease term from one year to three years.

Future minimum rentals payable under non-cancellable operating leases as at August 31, 2018 is, as follows:

		August 31, 2018
Within one year	$	67,472
After one year but not more than five years		36,222
Total Commitments		103,694

During the year ended August 31, 2018, the Company has subleased part of its premise to three companies and have received sublease deposit of $23,304 (2017 - $nil).

(Expressed in Canadian dollars)

15. GENERAL AND ADMINISTRATIVE EXPENSES

	August 31, 2018	August 31, 2017
Bank charges	$ 4,631	$ 3,031
Depreciation and amortization	2,844	70,128
Office expense	74,479	61,366
Payroll and consulting	504,394	453,833
Professional fees	90,500	137,148
Rent	8,884	67,687
Travel, automobile and entertainment	73,203	30,746
	$ 758,935	$ 823,939

16. RESEARCH AND DEVELOPMENT EXPENSES

During the year ended August 31, 2018, the Company has signed an agreement with Canada Blockchain Technology Corp. to engage Canada Blockchain Technology Corp. to develop an ecommerce education platform for the Company. The Company has incurred research and development expense of $106,195 during the year ended August 31, 2018 (August 31, 2017: Nil).

17. DISPOSAL OF DUKE COLLEGE INC.

On December 22, 2017 the Company entered into a conditional sale and purchase agreement (“the Agreement”) among the Company (the “Seller”), Duke 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 transaction was closed on April 30, 2018 (the “Closing Date”). The Company received a total of cash payment of $258,000 during the year ended August 31, 2018 and assumed Duke’s liabilities to related parties on the Closing Date ($259,677). In the period Duke also recovered $78,039 from the Purchaser, which was recorded as a recovery of expenses for the transition period from signing the agreement to the Closing Date.

The results of the discontinued operation, which are presented as one net amount on the Consolidated Statements of Operations and Comprehensive Loss during the periods are summarized below:

(Expressed in Canadian dollars)

	Period from September 1, 2017 to April 30, 2018	Year ended August 31, 2017
	$	$
Revenue	393,588	707,399
Expenses		
Direct operating costs	116,417	335,848
General and administrative expenses	288,098	394,363
Marketing and promotion	1,626	36,009
Expenses recovery	(78,039)	-
	328,102	766,220
Net income (loss) for the period from discontinued operation	65,486	(58,821)

Cash flows from (used in) Duke College included in the Consolidated Statements of Cash Flows are detailed below:

	Period from September 1, 2017 to April 30, 2018	Year ended August 31, 2017
	$	$
Cash flow from operations:	(60,391)	(163,338)
Cash flow from financing:	118,039	110,544
Total cash flow from (used in) discontinued operations:	57,648	(52,794)

As at April 30, 2018, the date of disposition, the net assets (liabilities) of Duke College was $(81,594), as detailed below:

Assets:		
Cash	$	53,584
Accounts receivable		6,800
Prepaid expenses		14,104
Property, plant and equipment		13,675
Liabilities:		
Accounts payable and accrued liabilities		(7,533)
Deferred revenue		(162,224)
Net assets disposed:	$	(81,594)

(Expressed in Canadian dollars)

During the year ended August 31, 2018, the Company recorded a gain on disposal of Duke College of $333,802. The gain of disposal is net of tax of $nil (2017 - $nil) and net of costs related to the transaction of $5,792 (2017 - $nil). Duke College has been presented as a discontinued operation, separate from continuing operations, in the Consolidated Statements of Operations and Comprehensive Loss during the years ended August 31, 2018 and 2017.

Sales proceeds received:	$	258,000
Transaction costs:		5,792
Net sales proceeds:	$	252,208
Net assets disposed:		(81,594)
Gain on disposal of Duke College	$	333,802