

EA EDUCATION GROUP INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the six-month period ended February 28, 2019

Dated: April 29, 2019

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 six-month period ended February 28, 2019. This MD&A should be read in conjunction with the unaudited condensed interim consolidated financial statements for the period ended February 28, 2019 and the audited consolidated financial statements and accompanying notes of the Company for the year ended August 31, 2018 and the MD&A for the year. 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 April 29, 2019.

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

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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

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 305 – 3190 Steeles Avenue East, Markham, Ontario L3R 1G9. Currently the Company has terminated the above business in offline education and is looking for new business in online education. On April 30, 2018 the Company disposed of its 100% subsidiary Duke College Inc. ("Duke"). Details of the disposal are set out in note 17 to the August 31, 2018 financial statements. The assets and liabilities attribute to Duke were classified as a discontinued operation and were separately presented from the consolidated statement of financial position and the loss for the year from Duke was presented as loss from discontinued operation. The comparative consolidated statement of operations for the year ended August 31, 2018 have been restated to reflect the discontinuance of Duke.

On February 28, 2019 the Company's shareholders' meeting approved a share consolidation of 15 to 1 resulting into the total number of common shares from 174,256,828 to 11,617,125. The number of shares outstanding for the comparative period and the loss per share have been restated to reflect the consolidation.

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RESULTS OF OPERATIONS

Six-month period ended February 28, 2019

The Company reported a net loss of \$406,969 for the six-month period ended February 28, 2019, compared with a net loss of \$267,235 for the period ended February 28, 2018. Basic and diluted loss per share was \$0.04 for the period ended February 28, 2019 compared to \$0.02 for the period ended February 28, 2018. Basic and diluted loss per share from continuing operations was \$0.04 for the period ended February 28, 2019 compared to \$0.03 for the period ended February 28, 2018.

Revenue from continuing operations

For the period ended February 28, 2019, revenue from continuing operation was \$nil compared to \$6,300 revenue the period ended February 28, 2018. There was no more revenue from China and related international student services other than commission due to Clubs in China had terminated the franchising agreements with EA.

Expenses of continuing operations

For the period ended February 28, 2019, direct costs were \$nil compared to \$359 in the period ended February 28, 2018. For the period ended February 28, 2019, administrative expenses amounted to \$383,456 compared to \$378,507 in the period ended February 28, 2018. The administrative expenses included fees paid for a team hired to explore and develop an ecommerce plat form in the period.

Marketing and promotion expense of \$23,513 compared to 10,114 for the period ended February 28, 2018, as the Company promoted for new business opportunities to potential investors and public. For the period ended February 28, 2019, the Company recorded no interest income (2018 - \$26,120).

Discontinued operation

In the year ended August 31, 2018 the Company disposed Duke College Inc. and presented the results of Duke College Inc. as discontinued operation. The net income from the discontinued operation in the period ended February 28, 2018 was \$89,325.

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Cash flows

For the six-month period ended February 28, 2019, the operating activities of the Company used a cash of \$315,535 compared to \$13,140 cash generated for the period ended February 28, 2018. Cash used for investment activities for the period ended February 28, 2019 was \$2,045 (2018 - \$nil). Cash from financing activities for the period totaled \$262,359 (2017 - \$nil) mainly due to \$2,210 bank indebtedness and \$260,149 advance from shareholders and due to officers and directors in the period.

Three-month period ended February 28, 2019

The Company reported a net loss of \$185,161 for the three-month period ended February 28, 2019, compared with a net loss of \$144,051 for the three months ended February 28, 2018. Basic and diluted loss per share was \$0.02 for the three month ended February 28, 2019 compared to \$0.01 for the period ended February 28, 2018. Basic and diluted loss per share from continuing operations was \$0.02 for the period ended February 28, 2019 compared to \$0.02 for the period ended February 28, 2018.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

		February 28, 2019	August 31, 2018	August 31, 2017
Revenues from continuing operations	\$	-	6,300	109,565
Net loss	\$	(406,969)	(593,604)	(912,814)
Loss per share, basic and diluted	\$	0.04	0.05	0.06
Cash	\$	3,562	58,783	12,340
Total current assets	\$	106,505	183,280	447,948
Total assets	\$	113,915	194,086	1,246,585
Total current liabilities	\$	872,622	545,993	1,000,456
Total long-term liabilities	\$	Nil	Nil	Nil

The operating performance of the franchising network in China and related international student services was not as expected and the revenues decreased from 2015 to 2018.

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SUMMARY OF QUARTERLY RESULTS

	Q2'19	Q1'19	Q4'18	Q3'18
Revenue	\$ -	\$ -	\$ -	\$ -
Net income (loss)	\$ (185,161)	\$ (221,808)	\$ (493,386)	\$ 167,067
	Q2'18	Q1'18	Q4'17	Q3'17
Revenue	\$ 155,732	\$ 153,659	\$ (13,448)	\$ 267,877
Net (loss)	\$ (144,061)	\$ (123,174)	\$ (421,493)	\$ (159,737)

LIQUIDITY AND CONTINUANCE OF OPERATIONS

The Company had a working capital deficit of \$766,117 as of February 28, 2019 (August 31, 2018 – \$362,713). As of February 28, 2019, the Company had a cash balance of \$3,562 (August 31, 2018 - \$58,783) but had a bank indebtedness of \$4,769 (August 31, 2018 - \$2,559), accounts payable and accrued liabilities of \$553,590 (August 31, 2018 - \$463,530), sublease deposit payable of \$9,321 (August 31, 2018 - \$23,304), and a due to related parties of \$304,942 (August 31, 2018 - \$56,600). In the last few years the Company was mainly relying on funds from repayment of debts from related parties and advance from shareholders. In the year ended August 31, 2018 the Company was able to collect trade receivables and payment from related parties and shareholders to supporting the operating. 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 plans to raise fund to support the continuing operations.

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 favorable terms as required; however, there are no assurances that any such financing can be obtained on favorable 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 operating leases on certain premises and motor vehicle. The

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minimum operating lease payments in successive years are as follows:

	August 31, 2018
Within one year	\$ 67,472
After one year but not more than five years	36,222
More than five years	-
Total Commitments	<u>103,694</u>

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.

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

On February 28, 2019 the Company's shareholders' meeting approved a share consolidation of 15 to 1 resulting into the total number of common shares from 174,256,828 to 11,617,125. The number of shares outstanding for the comparative period and the loss per share have been restated to reflect the consolidation.

Subsequent to February 28, 2019, the the Company closed a private placement to issue 8,333,333 common shares of the Company at a price of \$0.06 per share for an aggregate proceed of \$500,000 to a related party controlled by the controlling Shareholders of the Company.

As at the date of this report, the Company has 19,950,458 common shares outstanding, no warrants or options outstanding.

Stock option plan

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

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board of directors. There were no stock options granted during the periods ended February 28, 2019 and 2018. There were no stock options outstanding as at August 31, 2018 and February 28, 2019.

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, 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.

Risks

Please refer to the Note 11 to the audited consolidated financial statements of the Company for the year ended August 31, 2018 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.

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The Company is still currently in its development stage, and has not paid dividends on any occasion, but has instead reinvested cash mainly to finance ongoing operating and 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.

	February 28, 2019	August 31, 2018
Due from shareholders (a)	\$ -	\$ 11,807
Due to related parties	\$ -	\$ 11,807
	February 28, 2019	August 31, 2018
Due to shareholders (a)	\$ (237,092)	\$ -
Due to directors and officers (a)	\$ (67,850)	\$ (56,600)
Due to related parties	\$ (304,942)	\$ (56,600)

- (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 Grunzeweig, and consulting fees payable to a company controlled by the CFO of the Company.

During the period ended February 28, 2019 the Company accrued \$10,000 (2018 - \$18,000) director fee intotal for the above two (2018 – three) directors, and \$30,000 (2018 - \$30,000) consulting fee to the CFO of the Company. In addition the Company paid one of the director a compensation of \$10,961 (2018 - \$nil) for the period.

During the period ended February 28, 2019 the Company paid \$60,000 (2018 - \$60,000) to Wen Xu the Chairman of the Company and \$39,000 (2018 - \$39,000) to the Weidong Wang the CEO of the Company (the "Shareholders"), and paid each of the Shareholders \$6,000 director fees (2018 - \$6,000) that was recorded as a change to the balance due to or owed by the related parties. The shareholders continue to make cash advance to

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support the Company's operation. As of February 28, 2019, the Company had a due to the Shareholders in the amount of \$237,092 (August 31, 2018 - \$11,807 receivable) that was non-interest bearing unsecured and due on demand and \$67,850 (August 31, 2018 - \$56,600) due to other directors and officer.

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 recognized interest income of \$nil for the period ended February 28, 2019 (2018 - \$26,120) in the unaudited condensed interim consolidated statements of operations and comprehensive loss related to due from related parties and promissory notes from Zhongjiu.

- (c) See also the event subsequent to the reporting period.

DISPOSAL OF DUKE

On December 22, 2017 the Company has 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 cash payment of \$258,000 during the period ended August 31, 2018 and assumed Duke's liabilities to related parties on the Closing Date (\$259,677). In the year ended August 31, 2018 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 disposal of Duke is recorded as discontinued operation. The results of the discontinued operation were presented as one net amount on the Consolidated Statements of Operations and Comprehensive Loss for the period. The net income for the period from Duke was \$65,486.

The Company reported a gain from the disposal of the discontinued operation of \$333,802.

For details please refer to the note 17 to the August 31, 2018 audited consolidated financial statements.

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EVENT SUBSEQUENT TO THE REPORTING PERIOD

On April 5, 2019 the Company closed a private placement to issue 8,333,333 common shares of the Company at a price of \$0.06 per share for an aggregate proceed of \$500,000 to a related party controlled by the controlling Shareholders of the Company. The shares are subject to a hold period expiring August 6, 2019. No finder's fee has been paid for this private placement.

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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 judgments 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 2018 consolidated financial statements for more information.

ACCOUNTING POLICIES AND RECENT PRONOUNCEMENTS

The preparation of financial data is based on accounting principles as described in the note 3 to the unaudited condensed interim consolidated financial statements as at February 28, 2019.

Amendments to IFRS that are mandatorily effective for the period:

The Company adopted IFRS 15 on September 1, 2018. IFRS 15 Revenue from Contracts with Customers was issued by the IASB in May 2014. The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements. IFRS 15 supersedes the following standards: IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programs, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and

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SIC-31 Revenue—Barter Transactions Involving Advertising Services. The Company's adoption of the new standard has no effect.

The Company adopted IFRS 9 on September 1, 2018. IFRS 9 Financial Instruments was issued by the IASB in July 2014 and replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces new requirements for: 1) classification and measurement of financial assets and financial liabilities, 2) impairment for financial assets and 3) general hedge accounting, which represent a significant change from IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward-looking "expected loss" impairment model. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost ("AMC"), fair value through other comprehensive income ("FVTOCI"), and fair value through profit or loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables, and available for sale. IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' ("ECL") model. The new impairment model applies to financial assets measured at amortized cost. Under IFRS 9, credit losses are recognized earlier than under IAS 39.

Financial assets designated at FVTPL

Financial assets classified in this category are those that have been designated so by management on initial recognition or are held for trading purposes. Financial assets are designated at FVTPL if doing so eliminates or significantly reduces an accounting mismatch which would otherwise arise. Financial assets designated at FVTPL are recorded in the statement of financial position at fair value. For assets designated at FVTPL, changes in fair values are recognized in income in the statements of income (loss).

Based on this assessment management has determined that accounts receivable and other receivables, due from related parties and loans receivable are classified as amortized cost.

The Company does not have any hedge accounting relationship.

Impairment

The Company applies the three-stage approach to measure allowance for credit losses, using the expected credit loss impairment approach as required under IFRS 9, for the following categories of financial instruments that are not measured at FVTPL: (i) financial assets at AMC; and (ii) off balance sheet loan commitments (which there are none). The Company has adopted the simplified approach for calculation of impairment for amounts and other receivables based on a provision matrix.

Derecognition

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are recognized in the statements of income (loss) and comprehensive income (loss).

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial

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liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statements of income (loss) and comprehensive income (loss). The Company classifies its financial instruments by category according to their nature and their characteristics. Management determines the classification when the instruments are initially recognized, which is normally the date of the transaction. The Company classifies its financial assets and financial liabilities as outlined below:

Assets / liabilities	Category	Measurement
Assets		
Cash	FVTPL	Fair value
Amounts and other receivables	AMC	Amortized cost
Due from related parties	AMC	Amortized cost
Loans receivable	AMC	Amortized cost
Liabilities		
Bank indebtedness	FVTPL	Fair value
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Sublease deposits	Other financial liabilities	Amortized cost
Due to related parties	Other financial liabilities	Amortized cost

Future accounting standards:

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.

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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 and the discontinuing of Duke are such events and circumstance, that will cause the actual results of the operating of the coming few periods greatly different from what had been previously forecasted and disclosed to the public.