

LINGO MEDIA CORPORATION

Condensed Consolidated Interim Financial Statements

As at June 30, 2020

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Condensed Consolidated Interim Balance Sheets

As of June 30, 2020 and December 31, 2019

(Unaudited, expressed in Canadian Dollars, unless otherwise stated)

	Notes	June 30, 2020	December 31, 2019
ASSETS			
Current Assets			
Cash and cash equivalents		\$ 1,127,418	\$ 442,489
Accounts and grants receivable	5	983,235	838,502

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Condensed Consolidated Interim Statements of Comprehensive Income
For the three and six-month ended June 30, 2020 and 2019
(Unaudited, expressed in Canadian Dollars, unless

LINGO MEDIA CORPORATION

Condensed Consolidated Interim Statements of Changes in Equity

For the three and six-month ended June 30, 2020 and 2019

(Unaudited, expressed in Canadian Dollars, unless otherwise stated)

	Issued Share Capital		Share- Based Reserves	Accumulated Other Comprehensive Income	Deficit	Total Equity
	No. of Shares	Amount				
Balance as at January 1, 2019	35,529,192	\$ 21,914,722	\$ 3,955,167	\$ (271,245)	\$ (25,040,050)	\$ 558,594
Income for the period	-	-	-	-	116,129	116,129
Other comprehensive gain	-	-	-	(26,886)	-	(26,886)
Share-based payments charged to operations	-	-	56,759	-	-	56,759
Balance as at June 30, 2019	35,529,192	\$ 21,914,722	\$ 4,011,926	\$ (298,131)	\$ (24,923,921)	\$ 704,596
Income for the period	-	-	-	-	46,437	46,437
Other comprehensive gain	-	-	-	(21,863)	-	(21,863)
Share-based payments charged to operations	-	-	37,106	-	-	37,106
Balance as at December 31, 2019	35,529,192	\$ 21,914,722	4,049,032	\$ (319,994)	\$ (24,877,484)	\$ 766,276
Income for the period	-	-	-	-	857,948	857,948
Other comprehensive loss	-	-	-	98,934	-	98,934
Share-based payments charged to operations	-	-	13,846	-	-	13,846
Balance as at June 30, 2020	35,529,192	\$ 21,914,722	\$ 4,062,878	\$ (221,060)	\$ (24,019,536)	\$ 1,737,004

No preference shares were issued at June 30, 2020.

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

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Notes to Condensed Consolidated Interim Financial Statements
For the period ended June 30, 2020
(Unaudited - See Notice to Reader)

1. CORPORATE INFORMATION

Canada with limited liability under the legislation of the Province of Ontario and its shares are listed on the TSX Venture Exchange and inter-listed on the OTC Markets under the symbol . The condensed consolidated interim financial statements of the Company as at and for the period ended June 30, 2020 comprise the Company and its wholly-owned subsidiaries: Lingo Learning Inc., ELL Technologies Ltd., Lingo Group Limited., ELL Technologies Limited, Vizualize Technologies Corporation, Speak2Me Inc., and Parlo Corporation (the

Lingo Media is an EdTech company that is *Changing the way the world learns languages*. The Group provides online and print-based solutions through its two distinct business units: ELL Technologies Ltd. provides online training and assessment for language learning. Lingo Learning is a print-based publisher of English language learning school programs in China.

The head office, principal address and registered office of the Company is located at 151 Bloor Street West, Suite 703, Toronto, Ontario, Canada, M5S 1S4.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These condensed consolidated interim financial statements are unaudited and have been prepared

Interpretat

The condensed consolidated interim financial statements for the period ended June 30, 2020 were approved and authorized by the Board of Directors on August 28, 2020.

2.2 Basis of measurement

These condensed consolidated interim financial statements have been prepared on the historical cost basis except as provided in Note 4. The comparative figures presented in these consolidated financial statements are in accordance with the same accounting policies.

2.3 Basis of consolidation

The condensed consolidated interim financial statements comprise the financial statements of the June 30, 2020. Control exists when the Company is exposed to or has the rights to variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All inter-group balances, transactions, unrealized gains and losses resulting from inter-group transactions and dividends are eliminated in full.

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For the period ended June 30, 2020

(Unaudited - See Notice to Reader)

5. ACCOUNTS AND GRANTS RECEIVABLE

As at June 30, 2020, the Company had accounts receivable of \$169,002 (2019 - \$209,934) greater than 30 days overdue and not impaired.

6. PROPERTY AND EQUIPMENT

	Computer and Office Equipment	Leasehold Improvements	Total
Cost, January 1, 2019	\$ 97,875	\$ 33,180	\$ 131,055
Additions	450	-	450
Write off	(12,126)		

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(Unaudited - See Notice to Reader)

7. RIGHT-OF-USE ASSET

On adoption of IFRS 16, the Company recognized lease obligations in relation to leases which had previously at the present value of the remaining I

1, 2019 was 8%.

For the period ended June 30, 2020, an accretion of \$21,990 in carrying amount of lease liability was recorded because of the use of present value factor at initial measurement.

For the period ended June 30, 2020, variable lease payments of \$50,043 were recorded.

The Company has equipment leases and an office lease in Beijing which it has determined are not recognized as right of use assets or lease liabilities as they are short-term and low dollar value.

period ended June 30, 2020:

	Lease Obligation
Lease obligation as of January 1, 2020	\$ 574,762
Accretion on lease liability	21,990
Lease payment	(58,800)
Lease obligation at June 30, 2020	\$ 537,952
Of which are:	
Current lease obligations	\$ 38,306
Long-term lease obligations	499,646
	\$ 537,952

-of-use assets and movements therein during the period ended June 30, 2020:

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11. SHARE-

The exercise price of each option cannot be less than the market price of the shares on the day immediately preceding the day of the grant less any permitted discount. The exercise period of the options granted cannot exceed 10 years. Options granted under the 2017 Plan do not have any required vesting provisions. However, the Board of Directors of the Company may, from time to time, amend or revise the terms of the 2017 Plan or may terminate it at any time.

The following summarizes the options outstanding:

	Number of Options	Weighted Average Exercise Price	Warrant Remaining Contract Life (Yrs)
Outstanding as at January 1, 2019	6,804,000	\$ 0.18	2.26
Granted	1,050,000	0.08	
Forfeited	(1,092,000)	0.22	
Outstanding as at June 30, 2019	6,762,000	\$ 0.13	2.03
Forfeited	(120,000)	0.07	
Outstanding as at December 31, 2019	6,642,000	\$ 0.13	1.52
Granted	450,000	0.05	
Forfeited	(122,000)	0.18	
Outstanding as at June 30, 2020	6,970,000	\$ 0.12	1.13
Options exercisable as at June 30, 2019		5,162,002	\$ 0.14
Options exercisable as at December 31, 2019		6,504,500	\$ 0.19
Options exercisable as at June 30, 2020		6,662,505	\$ 0.13

The weighted average remaining contractual life for the stock options outstanding as at June 30, 2020 was 1.13 years (2019 2.03 years, 2018 2.51 years). The range of exercise prices for the stock options outstanding as at June 30, 2020 was \$0.05 - \$0.23 (2019 - \$0.07 - \$0.23, 2018 - \$0.20 - \$0.23). The weighted average grant-date fair value of options granted to management, employees, directors and consultants during the period ended June 30, 2020 was \$0.05 (2019 - \$0.05, 2018 - \$0.05) using the Black-Scholes model. The estimated fair value of the options granted is expensed immediately.

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12. TAX EXPENSE

Income tax expense is accrued upon recognition of revenue and is withheld at source on remittances from China.

13. GOVERNMENT GRANTS AND SUBSIDY

Government Grants

Included as a reduction of selling, general and administrative expenses are government grants of \$223,326 (2019 - \$119,638), relating to the Company's publishing and software projects. At the end of the period, \$Nil (2019 - \$110,000) is included in accounts and grants receivable.

One government grant for the print-based ELL segment is repayable in the event that the Company's annual net income for each of the previous two years exceeds 15% of revenue. During the year, the conditions for the repayment of grants did not arise and no liability was recorded.

Ontario Interactive Digital Media Tax Credit

The

Company was eligible for its investment in digital products in 2016.

The OIDMTC is a one-time refundable tax credit based on eligible Ontario labour expenditures, eligible marketing, and distribution expenditures claimed by a qualifying corporation with respect to interactive digital media products.

The Fund Concept Definition and Production programs provide content creators with funding for high quality, original interactive digital media content projects that make a positive contribution to the Ontario economy.

The fund assesses innovative interactive media projects, including e-learning, that are deemed to contribute to education and learning through the application of text, images, and other multimedia. The approval process involves a full audit of the product and processes.

Canada Emergency Wage Subsidy

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