

Summary Description of Lingo Media

Print-Based English Language Learning

The Company continues to maintain its legacy textbook publishing business through Lingo Learning, a print-based publisher of English language learning programs in China since 2001. Lingo Learning has an -published more than 728 million units from its library of program titles.

Overall Performance

During the quarter ended June 30, 2020, Lingo Media recorded revenues of \$977,389 as compared to \$895,205 in 2019. Net income was \$624,329 as compared to \$430,651 in 2019 resulting in a \$0.02 earnings per share as compared to earnings per share of \$0.01 in 2019. Total comprehensive income was \$557,802 as compared to \$418,142 in 2019. The Company recorded selling general and administrative costs of \$109,596 compared to \$153,914 in 2019. Share-based payments of \$8,985 was recorded in 2020 as compared to \$29,001 in 2019. In addition, cash generated from operations was \$386,032 as compared to \$390,970 in 2019. The reduced selling general and administrative costs in 2020 Q2 was primarily due to the Company receiving government grant in the amount of \$168,326 and Canada Emergency Wage Subsidy (CEWS) in the amount of \$78,287.

Online English Language Learning

ELL Technologies earned revenue from its portfolio of products of \$106,550 for the three months

During the period

Head Office

Expenses:

General & administrative	140,410	\$	142,860
Amortization of property & equipment	144		178
	140,554	\$	143,038
Total Segmented Loss	\$ 665,570	\$	484,425

Other

Foreign exchange	(9,223)	\$	(4,457)
Interest and other financial expenses	(13,033)		(20,316)
Share based payment	(8,985)		(29,001)
Other comprehensive income	(66,527)		(12,509)
	(97,768)		(66,283)
Total Comprehensive Income	\$ 557,802	\$	418,142

Foreign Exchange

The Company recorded foreign exchange loss of \$9,223 as compared to a foreign exchange loss of \$4,457 in 2019, relating to the Company's currency risk through its activities denominated in foreign currencies as the Company is exposed to foreign exchange risk as a significant portion of its revenue and expenses are denominated in Chinese Renminbi and US Dollars.

Share-Based Payments

The Company amortizes share-based payments with a corresponding increase to the contributed surplus account. During the period, the Company recorded an expense of \$8,985 compared to \$29,001 in 2019.

Net Profit for the Period

The Company reported a net profit of \$624,329 for the period as compared to \$430,651 in 2019. The earnings per share of the period is \$0.02 compared to \$0.01 in 2019.

Total Comprehensive Income

The total comprehensive income is calculated after the application of exchange differences on translating foreign operations gain/(loss). The Company reported a total comprehensive income of \$557,802 for the quarter ended June 30, 2020 as compared to \$418,142 in 2019.

Summary of Quarterly Results

	Q3 – 19	Q4 – 19	Q1 – 20	Q2 – 20
Revenue	\$ 117,545	\$ 831,508	97,124	977,389
Income / (Loss) Before Taxes and Other				
Comprehensive Income	(300,438)	432,701	237,055	717,949
Total Comprehensive Income / (Loss)	(320,519)	345,093	399,080	557,802
Income / (Loss) per Basic and Diluted Share	\$(0.01)	\$0.01	\$0.01	\$0.02

Liquidity and Capital Resources

As at June 30, 2020, the Company had cash of \$1,127,418 compared to \$191,290 in 2019. Accounts and grants receivable of \$983,235 were outstanding at the end of the period compared to \$1,049,433 in 2019. With 83% of the receivables from PEP and the balance due from ELL customers with a 90 - 180 day collection cycle, the Company does not anticipate an effect on its liquidity. Total current assets amounted to \$2,242,448 (2019 - \$1,341,173) with current liabilities of \$463,372 (2019 - \$692,828) resulting in working capital of \$1,779,076 (2019 - \$648,345).

Lingo Learning receives government grants based on certain eligibility criteria for publishing industry development in Canada and for international marketing support. These government grants are recorded as a reduction of general and administrative expenses to offset direct expenditure funded by the grant. The Company receives these grants throughout the year. The grant is applied based on Lingo Learning meeting certain eligibility requirements. The Company has relied on obtaining these grants for its operations and has been successful at securing them in the past, but it cannot be assured of obtaining these grants in the future.

Lingo Media has access to working capital through equity financings or debt financings, if required to finance its growth plans and expansion into new international markets. The Company has been successful in raising sufficient working capital in the past.

Off-Balance Sheet Arrangements

The Company has not entered into any off-balance sheet finance arrangements.

Transactions with Related Parties

Chairman, Gali Bar-Ziv, P[]TJEO01.93 4d1(e)-11(n)

Accumulated depreciation, January 1, 2019	\$ 66,278	\$ 11,613	\$ 77,891
Charge for the period	3,224	5,807	9,031
Write off	(12,126)	-	(12,126)
Effect of foreign exchange	(489)	-	(489)
Accumulated depreciation, June 30, 2019	\$ 56,887	\$17,420	\$ 74,307
Charge for the period	3,371	5,806	9,177
Effect of foreign exchange	(691)	-	(691)
Accumulated depreciation, December 31, 2019	\$ 59,567	\$ 23,226	\$ 82,793
Charge for the period	2,643	4,266	6,909
Effect of foreign exchange	588	-	588
Accumulated depreciation, June 30, 2020	\$ 62,798	\$ 27,492	\$ 90,290
Net book value, December 31, 2019	\$ 25,261	\$ 9,954	\$ 35,215
Net book value, June 30, 2020	\$ 22,644	\$ 5,688	\$ 28,332

Right-of-Use Asset and Lease Obligation

The Company has one office facility under lease. The lease term is 5 years from 2016, with an option to renew the lease for another 5-year term after that date.

Non-cancellable lease rentals are payable as follows:

Less than 1 year	\$ 78,399
Between 1 and 5 years	-
	\$ 79,399

On adoption of IFRS 16, the Company recognized lease obligations in relation to leases which had

lease obligations on January 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.

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

