LINGO MEDIA CORPORATION

Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

To the Shareholders of
Lingo Media Corporation

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards and ensuring that all information in the Management Discussion & Analysis is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors and the Audit Committee include some Directors who are neither management nor employees of the Company. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Audit Committee has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Audit Committee is also responsible for recommending the appointment of the Company's external auditors.

RSM Canada LLP, an independent firm of Chartered Professional Accountants, is appointed by the Audit Committee of the Board to audit the consolidated financial statements and report directly to them their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Audit Committee and management to discuss their audit findings.

April 30, 2021

/s/ Gali Bar-Ziv	/s/ Khurram Qureshi
President & CEO	Chief Financial Officer

RSM

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Lingo Media Corporation

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statement balance sheets of Lingo Media Corporation and its subsidiaries, (collectively, the Company), as of December 31, 2020 and 2019, and the related consolidated statements of comprehensive income (loss), changes in equity and cash flows for each of the three years in the period ended December 31, 2020, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2020, in conformity with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

Critical audit matters are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgements. We determined that there are no critical audit matters.

RSM Canada LLP

Chartered Professional Accountants
Licensed Public Accountants
April 30, 2021
Toronto, Ontario

We have served as the Company's auditor since 2008.

LINGO MEDIA CORPORATION
Consolidated Financial Statements
As at December 31, 2020 and December 31, 2019

Contents

Consolidated Financial Statements

LINGO MEDIA CORPORATION

Consolidated Balance Sheets
(Expressed in Canadian Dollars, unless otherwise stated)
As at December 31, 2020 and December 31, 2019

	Notes	December 31, 2020	December 31, 2019
ASSETS			
Current Assets			
Cash		$ 1,212,778	$ 442,489
Accounts and grants receivable	5,14, 16, 19	973,852	838,502
Prepaid and other receivables		168,932	121,603
		2,355,562	1,402,594
Non-Current Assets			
Property and equipment	6	23,685	35,215
Right-of-use assets	7	16,788	514,181
TOTAL ASSETS		**$ 2,396,035**	**$ 1,951,990**
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable		$ 82,125	$ 226,001
Accrued liabilities	20	138,715	191,993
Contract liabilities	8	218,566	192,958
Lease obligation	7	19,600	75,116
		459,006	686,068
Non-Current Liabilities			
Loans payable	9	70,000	-
Lease obligation	7	-	499,646
TOTAL LIABILITIES		**529,006**	**1,185,714**
Equity			
Share capital	10	21,914,722	21,914,722
Share-based payment reserve	11	4,072,176	4,049,032
Accumulated other comprehensive income		(352,764)	(319,994)
Deficit		(23,767,105)	(24,877,484)
TOTAL EQUITY		**1,867,029**	766,276
TOTAL LIABILITIES AND EQUITY		**$ 2,396,035**	**$ 1,951,990**

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

These consolidated financial statements are authorized for issue by the Board of Directors on April 30, 2021.

/s/ Gali Bar-Ziv
Director

/s/ Jerry Grafstein
Director

LINGO MEDIA CORPORATION

Consolidated Statements of Comprehensive Income (Loss)
For the years ended December 31, 2020, 2019 and 2018
(Expressed in Canadian Dollars, unless otherwise stated)

	Note	2020	2019	2018
Revenue	16, 18	$ 2,102,054	$ 1,956,222	$ 1,940,182
Expenses				
Selling, general and administrative	14	74,108	997,159	1,200,766
Bad debt (recovery)		32,386	(85,491)	(293,379)
Direct costs		329,409	212,307	271,020
Development costs		266,462	196,605	481,992
Share-based payments	11	23,144	93,865	162,489
Depreciation – right-of-use asset	7	17,346	83,381	-
Depreciation – property and equipment	6	13,846	18,208	18,369
Total Expenses		**756,701**	**1,516,034**	**1,841,257**
Income /(Loss) from Operations		**1,345,353**	**440,188**	**98,925**
Net Finance Charges				
Interest expense		7,331	83,750	51,898
Foreign exchange (gain) loss		34,200	10,584	(38,351)
Profit / (Loss) Before Income Tax		**1,303,822**	**345,854**	**85,378**
Income tax expense	13	193,443	183,288	189,534
Net Profit / (Loss) for the Year		**1,110,379**	**162,566**	**(104,156)**
Other Comprehensive Income				
Items that may be subsequently transferred to net profit (loss).				
Exchange gain (loss) on translating foreign operations		(32,770)	(48,749)	32,202
Total Comprehensive Income (Loss)		**$ 1,077,609**	**$ 113,817**	**$ (71,954)**
Earnings (Loss) per Share				
Basic	12	$ 0.03	$ 0.00	$ (0.00)
Diluted	12	$ 0.03	$ 0.00	$ (0.00)
Weighted Average Number of Common Shares Outstanding				
Basic	12	**35,529,192**	**35,529,192**	**35,529,192**
Diluted	12	**39,485,448**	**39,134,192**	**35,529,192**

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

LINGO MEDIA CORPORATION
Consolidated Statements of Changes in Equity
For the years ended December 31, 2020, 2019 and 2018
(Expressed in Canadian Dollars, unless otherwise stated)

	Issued Share Capital (Note 10)					
	Number of common shares	Amount	Share-Based Payment Reserve	Accumulated Other Comprehensive Income	Deficit	Total Equity
Balance as at January 1, 2018	**35,529,192**	**$ 21,914,722**	**$ 3,792,678**	**$ (303,447)**	**$ (24,850,199)**	**$ 553,754**
Contract adjustment for 2017	-	-	-	-	(85,695)	(85,695)
Loss for the year	-	-	-	-	(104,156)	(104,156)
Other comprehensive loss	-	-	-	32,202	-	32,202
Share-based payments charged to operations	-	-	162,489	-	-	162,489
Balance as at December 31, 2018	**35,529,192**	**$ 21,914,722**	**$ 3,955,167**	**$ (271,245)**	**$ (25,040,050)**	**$ 558,594**
Profit for the year	-	-	-	-	162,566	162,566
Other comprehensive gain	-	-	-	(48,749)	-	(48,749)
Share-based payments charged to operations	-	-	93,865	-	-	93,865
Balance as at December 31, 2019	**35,529,192**	**$ 21,914,722**	**$ 4,049,032**	**$ (319,994)**	**$(24,877,484)**	**$ 766,276**
Profit for the year	-	-	-	-	1,110,379	1,110,379
Other comprehensive loss	-	-	-	(32,770)	-	(32,770)
Share-based payments charged to operations	-	-	23,144	-	-	23,144
Balance as at December 31, 2020	**35,529,192**	**$ 21,914,722**	**$ 4,072,176**	**$ (352,764)**	**$(23,767,105)**	**$ 1,867,029**

No preference shares were issued at December 31, 2020, 2019 and 2018.

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

LINGO MEDIA CORPORATION

Consolidated Statements of Cash Flows
For the years ended December 31, 2020, 2019 and 2018
(Expressed in Canadian Dollars, unless otherwise stated)

	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Profit (Loss) for the Year	$ 1,110,379	$ 162,566	$ (104,156)
Adjustments to Net Profit (Loss) for Non-Cash Items:			
Share-based payments	23,144	93,865	162,489
Unrealized foreign exchange (gain) loss	(32,767)	(48,558)	32,378
Lease reassessment	(19,599)	-	(23,147)
Loan forgiveness	(30,000)	-	-
Bad debt	32,386	-	-
Depreciation - right-of-use asset	17,346	83,381	-
Depreciation - property and equipment	13,846	18,208	18,369
Operating Profit (Loss) before Working Capital Changes	1,114,733	309,462	85,933
Working Capital Adjustments:			
Accounts and grants receivable	(167,736)	74,956	57,008
Prepaid and other receivables	(47,329)	(20,064)	103,943
Accounts payable	(143,873)	(86,033)	(176,602)
Accrued liabilities	(53,278)	24,435	12,402
Contract liabilities	25,608	(24,301)	131,564
Cash Generated from Operating Activities	728,124	278,455	214,248
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	(2,319)	(450)	(7,839)
Cash Used in Investing Activities	(2,319)	(450)	(7,839)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of principal portion of lease obligation	(55,516)	(69,359)	-
Proceeds from loans	-	537,972	420,000
Proceeds from loans - CEBA	100,000	-	-
Repayment of loans	-	(537,972)	(720,000)
Cash Generated (used in) from Financing Activities	44,484	(69,359)	(300,000)
NET INCREASE (DECREASE) IN CASH	770,289	208,646	(93,591)
Cash at the Beginning of the Year	442,489	233,843	327,434
Cash at the End of the Year	**$ 1,212,778**	**$ 442,489**	**$ 233,843**

Supplemental cash flow information in Note 18

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

1. CORPORATE INFORMATION

Lingo Media Corporation ("Lingo Media" or the "Company") is a publicly listed company incorporated in Canada with limited liability under the legislation of the Province of Ontario and its shares are listed on the TSX Venture Exchange under the symbol "LM" and inter-listed on the OTC Marketplace under the symbol "LMDCF" and Frankfurt Exchange under the symbol "LIMA". The consolidated financial statements of the Company as at December 31, 2020 and 2019 and for the years ended December 31, 2020, 2019 and 2018 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 "Group").

Lingo Media is an EdTech company that is '*Changing the way the world learns language*'. The Group provides online and print-based solutions through its two distinct business units: ELL Technologies Ltd. ("ELL Technologies") and Lingo Learning Inc. ("Lingo Learning"). ELL Technologies 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 609, Toronto, Ontario, Canada, M5S 1S4.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC"). These consolidated financial statements were authorized by the Board of Directors on April 30, 2021.

2.2 Basis of measurement

These consolidated 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 consolidated financial statements comprise the financial statements of the Company and its wholly-owned subsidiaries controlled by the Company (the "Group"). 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.

2.4 Functional and presentation currency

The functional currency is the currency of the primary economic environment in which the entity operates and has been determined for each entity within the Group. These consolidated financial statements are presented in Canadian Dollars, which is the Company's functional currency. The functional currency of ELL Technologies Limited and Lingo Group Limited are United States Dollar ("USD"). All other subsidiaries' functional currency is Canadian Dollar ("CAD").

The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, "The Effects of Changes in Foreign Exchange Rates".

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies, reported amounts of assets, liabilities and contingent liabilities, revenues and expenses at the date of the consolidated financial statements and during the reporting period.

Estimates and assumptions are continuously evaluated and are based on management's historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Information about critical judgements and estimates in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes:

- Determination of functional currency
- Determination of expected credit loss
- Recognition of internally developed intangibles
- Recognition of government grant and grant receivable
- Recognition of deferred tax assets
- Valuation of share-based payments

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to the nature of the products and services offered, customers, staffing and geographic regions in which the consolidated entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated entity unfavourably as at the reporting date or subsequently as a result of the COVID-19 pandemic.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Adopted accounting standards

On October 31, 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors for 'Definition of Material,' to clarify the definition of 'material' and to align the definition used in the Conceptual Framework and the standards themselves. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. The Company has adopted the accounting standard in its consolidated financial statements.

Future Accounting Changes:

Management is evaluating the impact of the narrow-scope amendments to IAS 1, IFRS 9, IAS 16 and IAS 37 on the Company. The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Management continues to monitor changes to IFRS and has implemented applicable IASB changes to standards, new interpretations and annual improvements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

4.1 Lease

The Company recognizes a right-of-use asset and a lease obligation under IFRS 16. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Company has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

A lease obligation is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease obligation is measured at amortized cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease obligation is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

4.2 Revenue Recognition

Revenue is recognized upon transfer of control of promised goods or services to customers in an amount that reflects the consideration we expect to receive in exchange for those goods or services. The Company enters into contracts that can include various combinations of goods and services, which are generally capable of being distinct and accounted for as separate performance obligations. A product or service is distinct if the customer can benefit from it on its own or together with other readily available resources and the promise to transfer the good or service is separately identifiable from other promises in the contractual arrangement with the customer. Non-distinct goods and services are combined with other goods or services until they are distinct as a bundle and therefore form a single performance obligation.

The consideration (including any discounts) is allocated between separate goods and services in a bundle on a relative basis based on their standalone selling prices ("SSP"). Revenue is recognized net of any taxes collected from customers, which are subsequently remitted to governmental authorities. In addition to these general policies, the specific revenue recognition policies for each major category of revenue are included below.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

4.2 Revenue Recognition (Cont'd)

License of intellectual property

Royalty revenues primarily consist of revenues received from the license of intellectual property for print-based and audio-visual learning products. Royalty revenues are recognized based on the confirmation of sales by the Company's co-publishing partners, and when the underlying sale occurs. Training and support services provided for royalty contracts are delivered in advance of the underlying sale occurring, and, as such, royalty revenue is recognized when the underlying sale occurs, being the later of the satisfaction of the performance obligation and the underlying sale. Royalty revenues are not subject to right of return or product warranties. Royalty revenues are earned by Print-Based English Language Learning segment and relate to long-term contracts.

Online-based licenses

Online-based licensing revenue is generated from contracts with customers. The Company provides the right to access to hosted software over a contract term without the customer taking possession of the software. Revenue recognition commences on the date an executed contract exists and the customer has the right to access to the hosted software. Online-based licensing revenues are generated by Online language learning segment and relate to short-term contracts, recognized using straight-line method over the terms of the license period.

Offline licenses

Offline licensing revenue is generated from contracts with customers. Offline licenses provides the right to use perpetual language-learning software and is recognized at the point in time when the software is made available to the customer. When providing offline licenses, the customer can direct the use of, and obtain substantially all of the remaining benefits from, the license at the point in time at which the license is made available to the customer and the right to use the software has commenced. Offline license revenues are generated by Online language learning segment and relate to short-term contracts.

Costs to Obtain a Contract with a Customer

The Company recognizes an asset for the incremental costs of obtaining a contract with a customer if the Company expects the costs to be recoverable. The Company has determined that sales commissions meet the requirements to be capitalized. These capitalized costs are amortized consistent with the pattern of transfer to the customer for the goods and services to which the asset relates. Amortization of the asset is included in cost of sales in the consolidated statements of operations. Applying the practical expedient, the Company recognizes the incremental costs of obtaining contracts as an expense when incurred if the amortization period of the assets that we otherwise would have recognized is one year or less.

<u>Contract Assets and Liabilities</u>

The payment terms and conditions in our customer contracts may vary from the timing of revenue recognition. In some cases, customers pay in advance of delivery of products or services; in other cases, payment is due as services are performed. Timing differences between revenue recognition and invoicing primarily results in contract liabilities. Contract liabilities are relieved as revenue is recognized. Contract assets and contract liabilities are reported on a contract-by-contract basis at the end of each reporting period.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Significant Judgments

The Company distributes its products and services both directly to the end customer and indirectly through resellers. The Company evaluates each of its reseller relationships to determine whether it is the principal (where revenue is recognized at the gross amount) or agent (where revenue is recognized net of the reseller commission). In making this determination, the Company evaluates a variety of factors including the amount of control the Company is able to exercise over the transactions. The Company concluded that it acts as principal in all contracts with customers. The recognition of revenue requires judgement in the assessment of performance obligations within a contract and the assessment of recognizing at a point in time or over a period of time.

4.3 Comprehensive income (loss)

Comprehensive income (loss) measures net profit for the period plus other comprehensive income. Other comprehensive income (loss) consists of changes in equity, such as changes to foreign currency translation adjustments of foreign operations during the period. Amounts reported as other comprehensive income are accumulated in a separate component of equity as accumulated other comprehensive income.

4.4 Property and equipment

Property and equipment are initially recorded at cost. Depreciation is provided using methods outlined below at rates intended to depreciate the cost of assets over their estimated useful lives.

Method	Rate
Computer and office equipment	Declining balance 20%
Leasehold improvement	Straight line over the term of the lease

4.5 Software and web development costs

The Company capitalizes all costs related to the development of its fee-based language learning products and services when the feasibility and profitability of the project can be reasonably considered certain. Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalized if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development. The expenditure capitalized includes the cost of material, and direct labour. Other development expenditure is recognized in the statement of comprehensive income (loss) as an expense as incurred.

4.6 Content development costs

The Company capitalizes all costs related to content development of its fee-based language learning products and services when the feasibility and profitability of the project can be reasonably considered certain. Expenditure on content development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalized if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development. The expenditure capitalized includes the cost of material, and direct labour. Other development expenditure is recognized in the statement of comprehensive income (loss) as an expense as incurred.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

4.7 Government grants

The Company receives government grants based on certain eligibility. These government grants are recorded as a reduction of general and administrative expenses to offset direct costs funded by the grant during the period in which there is reasonable assurance that the Company will comply with the conditions attached to them and the grant will be received. The Company records a liability for the repayment of the grants and a charge to operations in the period in which conditions arise that will cause the government grants to be repayable.

4.8 Current and deferred income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred taxation is recognized using the liability method on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

However, the deferred taxation is not recognized if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred taxation is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

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.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to offset current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

4.9 Foreign currency translation

Foreign currency transactions are initially recorded in the functional currency at the transaction date exchange rate. At the balance sheet date, monetary assets and liabilities denominated in a foreign currency are translated into the functional currency at the reporting date exchange rate. Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items at year-end exchange rates are recognized in the income statement. Non-monetary items measured at historical cost are translated using the historical exchange rate. Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

4.9 Foreign currency translation (Cont'd)

Financial statements of subsidiaries, affiliates and joint ventures for which the functional currency is not the Canadian Dollar are translated into the Canadian Dollar as follows: all asset and liability accounts are translated at the balance sheet exchange rate and all earnings and expense accounts and cash flow statement items are translated at average exchange rates for the period. The resulting translation gains and losses are recorded as foreign currency translation adjustments in other comprehensive income (loss) and recorded in accumulated other comprehensive income in equity. On disposal of a foreign operation the cumulative translation differences recognized in equity are reclassified to the statement of comprehensive income (loss) and recognized as part of the gain or loss on disposal. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into Canadian Dollars at the balance sheet rate.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognized in other comprehensive income (loss).

4.10 Earnings (loss) per share

Earnings (loss) per share is computed by dividing the earnings (loss) for the year by the weighted average number of common shares outstanding during the year, including contingently issuable shares which are included when the conditions necessary for issuance have been met. Diluted earnings per share is calculated in a similar manner, except that the weighted average number of common shares outstanding is increased to include potentially issuable common shares from the assumed exercise of common share purchase options and warrants, if dilutive.

4.11 Share-based compensation plan

The share-based compensation plan allows the Company executives, management, employees and consultants to acquire shares of the Company. The fair value of share-based payment awards granted is recognized as management, employee or consultant expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. The fair value is measured at grant date and each tranche is recognized on a graded vesting basis over the period during which the share purchase options vest. The fair value of the share-based payment awards granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the awards were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of awards, for which the related service and non-market vesting conditions are expected to be met.

For equity-settled share-based payment transactions with consultants, the Company measures the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which cases, the Company measures their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

4.12 Financial instruments

A financial asset shall be measured at amortized cost if it is held with the objective of holding assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest.

A debt investment shall be measured at fair value through other comprehensive income if it is held with the objective of holding assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value.

All other financial assets are classified and measured at fair value through profit or loss ("FVPL") unless the Company makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognized in a business combination) in other comprehensive income ("OCI").

Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch.

For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch).

The Company is required to use an "expected credit loss" ("ECL") model to recognize an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted.

For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available. The investment classifications "Available-for-sale financial assets" and "Held-to-maturity investments" are no longer used and "Financial assets at fair value through other comprehensive income" was introduced.

Trade and other receivables

Trade receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 60 days. The Company has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognized at amortized cost, less any allowance for expected credit losses.

4.13 Impairment of long-lived assets

The Company's property and equipment and intangibles with finite lives are reviewed for an indication of impairment at each balance sheet date. If indication of impairment exists, the asset's recoverable amount is estimated. The recoverable amount is the greater of the asset's fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(Expressed in Canadian Dollars, unless otherwise stated)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

4.13 Impairment of long-lived assets (Cont'd)

An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in profit and loss for the period.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

5. ACCOUNTS AND GRANTS RECEIVABLE

	December 31, 2020	December 31, 2019
Trade receivable	**$ 973,852**	$ 816,226
Government grants receivable (Note 14)	**-**	22,276
	$ 973,852	$ 838,502

As at December 31, 2020, the Company had accounts receivable of $197,126 (2019 - $133,740) 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)	-	(12,126)
Effect of foreign exchange	(1,371)	-	(1,371)
Cost, December 31, 2019	**$ 84,828**	**$ 33,180**	**118,008**
Additions	2,319	-	-
Effect of foreign exchange	(195)	-	2,124
Cost, December 31, 2020	**$ 86,952**	**$ 33,180**	**$ 120,132**
Accumulated depreciation, January 1, 2019	**$ 66,278**	**$ 11,613**	**$ 77,891**
Charge for the year	6,595	11,613	18,208
Write off	(12,126)	-	(12,126)
Effect of foreign exchange	(1,180)	-	(1,180)
Accumulated depreciation, December 31, 2019	**59,567**	**23,226**	**$ 82,793**
Charge for the year	5,314	8,532	13,846
Effect of foreign exchange	(192)	-	(192)
Accumulated depreciation, December 31, 2020	**$ 64,689**	**$ 31,758**	**$ 96,447**
Net book value, December 31, 2019	**$ 25,261**	**$ 9,954**	**$ 35,215**
Net book value, December 31, 2020	**$ 22,263**	**$ 1,422**	**$ 23,685**

(Expressed in Canadian Dollars, unless otherwise stated)

7. 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. The Company will not renew the lease on expiry. This resulted in a lease reassessment due to the shorter term and a reduction in the Right-of-Use Asset and Lease Obligation.

Non-cancellable lease rentals are payable as follows:

Less than 1 year	$	**42,523**
Between 1 and 5 years		**-**
	$	**42,523**

On adoption of IFRS 16, the Company recognized lease obligations in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17, "Leases". These obligations were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019. The lessee's incremental borrowing rate applied to the lease obligations on January 1, 2019 was 8%.

For the year ended December 31, 2020, variable lease payments of $19,600 were recorded.

The Company has equipment leases and office lease in Beijing which it has determined are not recognized as right of use assets or lease liabilities as they are short-term lease and low dollar value. The Beijing office lease expense for the year is $13,605.

The Company's lease obligation and movements therein during the year ended December 31, 2020:

		Lease Obligation
Lease obligation recognized on adoption of IFRS 16 on January 1, 2019	$	**644,121**
Accretion on lease liability		**48,239**
Lease payment		**(117,598)**
Lease obligation at December 31, 2019		**574,762**
Accretion on lease liability		**42,482**
Lease payment		**(117,598)**
Adjustment from lease reassessment		**(480,046)**
Lease obligation at December 31, 2020	$	**19,600**

(Expressed in Canadian Dollars, unless otherwise stated)

7. RIGHT-OF-USE ASSET AND LEASE OBLIGATION (Cont'd)

The Company's right-of-use assets and movements therein during the year ended December 31, 2020:

		Office Lease
Right-of-use assets recognized on adoption of IFRS 16 on January 1, 2019	$	**644,121**
Lease inducement recognized as a reduction of right-of-use asset on adoption		**(46,559)**
Depreciation on right-of-use assets		**(83,381)**
Right-of-use assets at December 31, 2019		**514,181**
Adjustment from lease reassessment		**(480,047)**
Depreciation on right-of-use assets		**(17,346)**
Right-of-use assets at December 31, 2020	$	**16,788**

8. CONTRACT LIABILITIES

The following table presents changes in the contract liabilities balance:

Balance, January 1, 2019	$	217,259
Amounts invoiced and revenue deferred as at December 31, 2019		201,779
Recognition of deferred revenue included in the year		(226,080)
Balance, December 31, 2019	$	192,958
Amounts invoiced and revenue deferred as at December 31, 2020		267,227
Recognition of deferred revenue included in the year		(241,619)
Balance, December 31, 2020	**$**	**218,566**

9. LOANS PAYABLE

During the year, the Company received loans of $100,000 through Canadian Emergency Business Account Program ("CEBA Loan"), which provides financial relief for Canadian small business during the COVID-19 pandemic. The CEBA loan has an initial term date on December 31, 2020 (the "Initial Term Date") and may be extended to December 31, 2025. The CEBA Loan is non-revolving, with an interest rate being 0% per annum prior to the initial Term Date. Repayment of principal is not required before December 31, 2022. The loan payments can be made at any time without fees or penalties. Repaying the balance of the CEBA loan on or before December 31, 2022 will result in a loan forgiveness of $30,000. The loan forgiveness has been recorded as a reduction of general and administrative expense.

10. SHARE CAPITAL

Authorized

Unlimited number of preference shares with no par value

Unlimited number of common shares with no par value

(Expressed in Canadian Dollars, unless otherwise stated)

11. SHARE-BASED PAYMENTS

In December 2017, the Company amended its stock option plan (the “2017 Plan”). The 2017 Plan was established to provide an incentive to management, employees, directors and consultants of the Company and its subsidiaries. The maximum number of shares which may be reserved for issuance under the 2017 Plan is limited to 7,105,838 common shares less the number of shares reserved for issuance pursuant to options granted under the 1996 Plan, the 2000 Plan, the 2005 Plan, the 2009 Plan, and the 2011 Plan, provided that the Board of Directors of the Company has the right, from time to time, to increase such number subject to the approval of the relevant exchange on which the shares are listed and the approval of the shareholders of the Company.

The maximum number of common shares that may be reserved for issuance to any one person under the 2017 Plan is 5% of the common shares outstanding at the time of the grant (calculated on a non-diluted basis) less the number of shares reserved for issuance to such person under any stock option to purchase common shares of the Company granted as a compensation or incentive mechanism.

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 stock options granted cannot exceed 10 years. Stock 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	Weighted Average Remaining Contract Life (Years)
Outstanding as at January 1, 2018	**3,999,000**	**$ 0.21**	2.77
Granted	2,920,000	0.07	2.89
Expired	(25,000)	0.23	-
Forfeited	(90,000)	0.23	-
Outstanding as at January 1, 2019	**6,804,000**	**$ 0.19**	**2.26**
Granted	1,050,000	0.08	2.14
Forfeited	(1,212,000)	0.21	1.18
Outstanding as at January 1, 2020	**6,642,000**	**$ 0.13**	**1.52**

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contract Life (Years)
Outstanding as at January 1, 2020	**6,642,000**	**$ 0.13**	**1.52**
Granted	450,000	0.05	2.10
Expired	(2,730,000)	0.20	-
Forfeited	(122,000)	0.18	-
Outstanding as at December 31, 2020	**4,240,000**	**$ 0.07**	**1.08**

Options exercisable as at December 31, 2018	4,566,000	$0.19
Options exercisable as at December 31, 2019	6,504,500	$0.13
Options exercisable as at December 31, 2020	**4,127,500**	**$0.07**

(Expressed in Canadian Dollars, unless otherwise stated)

11. SHARE-BASED PAYMENTS (Cont'd)

The weighted average remaining contractual life for the stock options outstanding as at December 31, 2020 was 1.08 years (2019 – 1.52 years, 2018 – 2.26 years). The range of exercise prices for the stock options outstanding as at December 31, 2020 was $0.05 - $0.13 (2019 - $0.07 - $0.23, 2018 - $0.07 - $0.23). The weighted average grant-date fair value of stock options granted to management, employees, directors and consultants during 2020 has been estimated at $0.0355 (2019 - $0.05, 2018 - $0.0436) using the Black-Scholes option-pricing model.

The pricing model assumed the weighted average risk free interest rates of 1.37% (2019 – 2.19%, 2018 – 2.19%) weighted average expected dividend yields of Nil (2019 – Nil, 2018 – Nil), the weighted average expected common stock price volatility (based on historical trading) of 123% (2019 – 105%, 2018 – 98%), a forfeiture rate of zero, a weighted average stock price of $0.08 (2019 - $0.13, 2018 - $0.07), a weighted average exercise price of $0.05 (2019 - $0.13, 2018 - $0.07), and a weighted average expected life of 3 years (2019 – 3 years, 2018 – 3 years), which were estimated based on past experience with stock options and option contract specifics.

12. EARNINGS (LOSS) PER SHARE

The income and weighted average number of common shares used in the calculation of basic and diluted income (loss) per share for the years ended December 31, 2020 2019, and 2018 were as follows:

	2020	2019	2018
Weighted average number of common shares used as the denominator in calculating basic earnings per share	**35,529,192**	35,529,192	35,529,192
Adjustments for calculation of diluted earnings per share:			
Options	**3,956,256**	3,605,000	-
Weighted average number of common shares and potential common shares used as the denominator in calculating diluted earnings per share	**39,485,448**	39,134,192	35,529,192
Basic earnings (loss) per share	**$ 0.03**	$ 0.00	$ 0.00
Diluted earnings (loss) per share	**$ 0.03**	$ 0.00	$ 0.00

13. INCOME TAXES

The provision for income taxes reflects an effective income tax rate, which differs from the Canadian corporate income tax rate as follows:

	2020	2019	2018
Combined basic Canadian federal and provincial income tax rate	**26.5%**	26.50%	26.50%
Effective income tax	**$ 293,975**	$ 43,080	$ (27,602)
Increase (decrease) resulting from change in the deferred tax assets not recognized	**(286,989)**	(421,000)	1,839,000
Withholding tax	**193,443**	183,288	189,534
Non-deductible items	**55,544**	(66,925)	46,369
Change in prior year estimates	**(62,530)**	444,845	(1,576,767)
	$ 193,443	$ 183,288	$ 189,534

(Expressed in Canadian Dollars, unless otherwise stated)

13. INCOME TAXES (Cont'd)

The tax effect of temporary differences representing deferred tax assets is as follows:

	2020	2019
Deferred tax assets:		
Loss carry forwards	**$7,267,000**	$ 7,712,000
Lease obligation	**5,000**	152,000
	7,267,000	7,864,000
Deferred tax assets not recognized	**(7,266,000)**	(7,724,000)
Deferred tax assets recognized	**6,000**	140,000
Property and equipment	**(2,000)**	(4,000)
Right-of-use asset	**(4,000)**	(136,000)
Net deferred tax assets	**$ -**	$ -

Deferred tax assets and liabilities will be impacted by changes in tax laws and rates. The effects of these changes are not currently determinable. In assessing whether the deferred tax assets are realizable, management considers whether it is probable that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of taxable income during the years in which those temporary differences become deductible.

Management considers projected taxable income, uncertainties related to the industry in which the Company operates and tax planning strategies in making this assessment. The Company has not recognized any benefit for these losses.

At December 31, 2020, the Company has non-capital losses available for carry forward for Canadian income tax purposes amounting to approximately $24,803,000. These losses expire in the following fiscal years:

2026	$ -
2027	-
2028	1,231,000
2029	2,991,000
2030	4,356,000
2031	4,646,000
2032	1,188,000
2033	806,000
2034	436,000
2035	54,000
2036	420,000
2037	5,082,000
2038	1,359,000
2039	1,051,000
2040	-
	$ 23,620,000

The Company has capital loss of $1,334,000 available in Canada. The Company also has capital losses of $4,646,000 available and trade losses of approximately $628,000 available for use in the United Kingdom.

14. GOVERNMENT GRANTS AND SUBSIDIES

Government Grants

Included as a reduction of selling, general and administrative expenses are government grants of $279,017 (2019 - $235,387, 2018 - $242,813), relating to the Company's publishing and software projects. At the end of the year, $Nil (2019 - $22,276, 2018 - $Nil) is included in accounts and grants receivable.

One government grant for the print-based English language learning segment is repayable in the event that the segment's annual net income before tax for the current year and the previous two years exceeds 15% of revenue. During 2019 and 2018, the conditions for the repayment of grants did not arise and no liability was recorded.

Ontario Interactive Digital Media Tax Credit

Included as a reduction of Selling, General and Administrative Expenses is Ontario Interactive Digital Media Tax Credit ("OIDMTC"). The Company received an approval and funding of its grant from the Province of Ontario's ("OIDMTC") in the amount of $904,940 during 2020 and was recognized as a reduction in selling, general and administrative expenses. The OIDMTC is a refundable tax credit based on eligible Ontario labour expenditures in additional to eligible marketing and distribution expenditures claimed by a qualifying corporation with respect to interactive digital media products. The Ontario Creates Interactive Digital Media ("IDM") 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

The Canada Emergency Wage Subsidy ("CEWS") was announced on March 27, 2020. Effective April 11, 2020, the CEWS came into force providing a wage subsidy to eligible Canadian employers to enable them to continue to pay their Canadian employees through their own payroll. Due to the impact of COVID-19, the Company applied for CEWS and received $182,118 during the year and recorded this amount as a reduction of general and administrative expense.

Canada Emergency Rent Subsidy

The Canadian government introduced the new Canada Emergency Rent Subsidy ("CERS") to provide direct relief to organization that continue to be economically impacted by the COVID-19 pandemic. The new rent subsidy was available retroactive to September 27, 2020, until June 2021. The Company applied for CERS and received $27,309 during 2020 and recorded this amount as a reduction of general and administrative expense.

14. FINANCIAL INSTRUMENTS

a. Fair Values

The carrying value of cash and accounts and grants receivable, approximates their fair value due to the liquidity of these instruments. The carrying values of accounts payables and accrued liabilities and loans payables approximate their fair value.

(Expressed in Canadian Dollars, unless otherwise stated)

14. FINANCIAL INSTRUMENTS (Cont'd)

b. Financial Risk Management Objectives and Policies

The financial risk arising from the Company's operations are currency risk, liquidity risk and credit risk. These risks arise from the normal course of operations and all transactions undertaken are to support the Group's ability to continue as a going concern. The risks associated with these financial instruments and the policies on how to mitigate these risks are as follows:

(i) Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's monetary assets and liabilities denominated in currencies other than the Canadian Dollar and the Company's net investments in foreign subsidiaries.

The Company operates internationally and is exposed to foreign exchange risk as certain expenditures are denominated in non-Canadian Dollar currencies.

The Company has been exposed to this fluctuation and has not implemented a program against these foreign exchange fluctuations.

A 10% strengthening of the US Dollars against Canadian Dollars would have increased the net equity by approximately $198,201 (2019 - $79,527) due to reduction in the value of net liability balance. A 10% of weakening of the US Dollar against Canadian Dollar at December 31, 2020 would have had the equal but opposite effect. The significant financial instruments of the Company, their carrying values and the exposure to other denominated monetary assets and liabilities, as of December 31, 2020 are as follows:

	2020	2019
	USD	USD
Cash	**820,597**	61,075
Accounts receivable	**715,358**	613,127
Accounts payable	**15,468**	61,885

(ii) Liquidity Risk

The Company manages its liquidity risk by preparing and monitoring forecasts of cash expenditures to ensure that it will have sufficient liquidity to meet liabilities when due. The Company's accounts payable and accrued liabilities generally have maturities of less than 90 days. At December 31, 2020, the Company had cash of $1,212,778 (2019 - $442,489), accounts and grants receivable of $973,852 (2019 - $838,502) to settle current liabilities of $459,006 (2019 - $686,068).

(iii) Credit Risk

Credit risk refers to the risk that one party to a financial instrument will cause a financial loss for the counterparty by failing to discharge an obligation. The Company is primarily exposed to credit risk through accounts receivable. The maximum credit risk exposure is limited to the reported amounts of these financial assets. Credit risk is managed by ongoing review of the amount and aging of accounts receivable balances. As at December 31, 2020, the Company has outstanding receivables of $973,852 (2019 - $838,502). The Company reviews the components of these accounts on a regular basis to evaluate and monitor this risk. The Company's customers are generally financially established organizations, which limits the credit risk relating to the customers.

14. FINANCIAL INSTRUMENTS (Cont'd)

(iii) Credit Risk (Cont'd)

In addition, credit reviews by the Company take into account the counterparty's financial position, past experience and other factors. As at December 31, 2020, approximately 37%, $197,126 (2019 – 68%, $133,740) of accounts receivable balances over 30 days were not impaired. The consolidated entity has a credit risk exposure with a government agency of the People's Republic of China, which as at December 31, 2020 owed the consolidated entity $924,096 (95% of trade receivables) (2019: $740,494 (89% of trade receivables)).This balance was within its terms of trade and no impairment was made as at December 31, 2020. The Company's payment terms range from 30 days to 60 days from the invoice date. There are no guarantees against this receivable but management closely monitors the receivable balance on a monthly basis and is in regular contact with this customer to mitigate risk. Management believes that the expected credit loss allowance is adequate. The Company deposits its cash with high credit quality financial institutions, with the majority deposited within Canadian Tier 1 Banks.

15. MAJOR CUSTOMER

The Company had sales to a major customer in 2020, 2019 and 2018, a government agency of the People's Republic of China. The total percentage of sales to this customer during the year was 84% (2019 – 86%, 2018–80%) and the total percentage of accounts receivable at December 31, 2020 was 95% (2019 – 91%, 2018 – 89%).

16. CAPITAL MANAGEMENT

The Company's primary objectives when managing capital are to (a) safeguard the Company's ability to develop, market, distribute and sell language learning products, and (b) provide a sound capital structure for raising capital at a reasonable cost for the funding of ongoing development of its products and new growth initiatives. The Board of Directors does not establish quantitative capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company includes equity, comprised of issued share capital, warrants, share-based payments reserve and deficit, in the definition of capital. The Company is dependent on cash flow from co-publishing and licensing agreements and external financing to fund its activities. In order to carry out planned development of its products and pay for administrative costs, the Company will spend its existing working capital 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. There has been no change to the Company's capital management from the approach used in 2020 or 2019.

17. SEGMENTED INFORMATION

The Company operates two distinct reportable business segments as follows:

License of Intellectual Property (Print-Based English Language Learning): Lingo Learning is a print-based publisher of English language learning textbook programs in China. It earns higher royalties from Licensing Sales compared to Finished Product Sales.

Online and Offline Language Learning (Online English Language Learning): ELL Technologies is a global web-based educational technology ("EdTech") language learning, training, and assessment company. The Company provides the right to access to hosted software over a contract term without the customer taking possession of the software. The Company also provides offline licenses for the right to use perpetual language-learning.

(Expressed in Canadian Dollars, unless otherwise stated)

17. SEGMENTED INFORMATION (Cont'd)

Transactions between operating segments and reporting segement are recorded at the exchange amount and eliminated upon consolidation.

2020	Online English Language Learning	Print-Based English Language Learning	Head Office	Total
Segmented assets	$ 239,632	$ 2,125,622	$ 30,781	$ 2,396,035
Segmented liabilities	281,740	159,718	87,548	529,006
Segmented revenue - online	331,701	-	-	331,701
Segmented revenue – royalty	8,335	1,762,018	-	1,770,353
Segmented direct costs	109,498	219,911	-	329,409
Segmented selling, general & administrative expense	(566,064)	71,477	568,695	74,108
Segmented other expense	300,784	222,118	581	523,483
Segmented profit (loss)	495,817	1,248,512	(569,276)	1,175,053

2019	Online English Language Learning	Print-Based English Language Learning	Head Office	Total
Segmented assets	$ 136,648	$ 1,739,269	$ 75,973	$ 1,951,990
Segmented liabilities	286,109	675,856	223,749	1,185,714
Segmented revenue - online	259,172	-	-	259,172
Segmented revenue – royalty	22,846	1,674,204		1,697,050
Segmented direct costs	124,471	87,836	-	212,307
Segmented selling, general & administrative expense	224,320	247,673	525,166	997,159
Segmented other expense	116,212	279,056	723	395,991
Segmented profit (loss)	(182,985)	1,059,639	(525,889)	350,765

2018	Online English Language Learning	Print-Based English Language Learning	Head Office	Total
Segmented assets	$ 141,238	$ 1,087,463	$ 73,303	$ 1,302,004
Segmented liabilities	348,214	160,750	234,446	743,410
Segmented revenue - online	206,955	-	-	206,955
Segmented revenue – offline	8,012	-	-	8,012
Segmented revenue – royalty	38,701	1,686,514	-	1,725,215
Segmented direct costs	180,832	90,188	-	271,020
Segmented selling, general & administrative expense	348,436	64,580	787,750	1,200,766
Segmented other expense	10,918	196,079	905	207,902
Segmented profit (loss)	(475,131)	1,335,666	(788,655)	71,879

(Expressed in Canadian Dollars, unless otherwise stated)

17. SEGMENTED INFORMATION (Cont'd)

Other Financial Items	**2020**	2019	2018
Print-Based English language learning segment income	**$ 1,248,512**	$ 1,059,639	$ 1,335,666
Online language learning segment income (loss)	**495,817**	(182,985)	(475,131)
Head office	**(569,276)**	(525,889)	(788,655)
Foreign exchange gain (loss)	**(34,200)**	(10,584)	38,351
Interest and other financial	**(7,331)**	(83,750)	(51,898)
Share-based payments	**(23,144)**	(93,865)	(162,489)
Other comprehensive income (loss)	**(32,770)**	(48,749)	32,202
Total Comprehensive Income (Loss)	**$ 1,077,609**	$ 113,817	$ (71,954)

Revenue by Geographic Region

	2020	2019	2018
Latin America	**$ 277,856**	$ 214,381	$ 187,008
China	**1,774,175**	1,684,872	1,702,249
Other	**50,023**	56,929	50,925
	$ 2,102,054	$ 1,956,222	$ 1,940,182

Identifiable Non-Current Assets by Geographic Region

	2020	2019	2018
Canada	**$ 40,021**	$ 548,829	$ 52,131
China	**452**	567	1,033
	$ 40,473	$ 549,396	$ 53,164

18. SUPPLEMENTAL CASH FLOW INFORMATION

	2020	2019	2018
Income taxes and other taxes paid	**$ 193,443**	$ 183,288	$ 189,534
Interest paid	**$ 7,331**	$ 83,750	$ 51,898

19. RELATED PARTY BALANCES AND TRANSACTIONS

During the year, the Company had the following transactions with related parties, made in the normal course of operations, and accounted for at an amount of consideration established and agreed to by the Company and related parties.

a. The Company charged $24,000 (2019 - $84,442, 2018 - $165,726) to three corporations with directors in common for rent, administration, office charges and telecommunications of which, $13,078 is included in accounts receivable.

b. Key management compensation was $392,766 (2019 – $335,000, 2018 – $360,672) and is reflected as consulting fees paid to corporations owned by a director and officers of the Company, of which, $Nil (2019 - $53,000, 2018 - $17,065) is unpaid and included in accrued liabilities. Options granted to key management was $5,325 ($2019 - $nil, 2018 - $25,988).

20. COVID-19

Since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as “COVID-19,” has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The extent to which COVID-19 and any other pandemic or public health crisis impacts the Company’s business, affairs, operations, financial condition, liquidity, availability of credit and results of operations will depend on future developments that are highly uncertain and cannot be predicted with any meaningful precision, including new information which may emerge concerning the severity of the COVID-19 virus and the actions required to contain the COVID-19 virus or remedy its impact, among others.

The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operating subsidiaries in future periods.

Lingo Media has taken measures to protect its management, employees and contractors and has advised them to work from home and maintain a safe environment to ensure they are healthy and have minimal exposure to the risk of infection.

The Company has contacted all the parties it is working with to ensure they are all working in a safe environment. A number of such parties have had an impact on their operations and ability to collaborate, while, a large number have identified multiple new business opportunities due to COVID-19 and the stay at home order of students in many countries. Lingo Media is offering e-learning solutions which fit the challenges schools and universities are facing by providing an online language learning solutions. In addition, the Company has designed a number of promotions to ensure its clients can easily deploy its suite of products that are well suited for a quarantined environment.