

EVERYBODY LOVES LANGUAGES CORP.

(Formerly Lingo Media Corporation)

Condensed Consolidated Interim Financial Statements

For the nine-month period ended September 30, 2022

EVERYBODY LOVES LANGUAGES CORP.

(Formerly Lingo Media Corporation)

Condensed Consolidated Interim Financial Statements

As at September 30, 2022

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed consolidated interim financial statements of Everybody Loves Languages Corp. have been prepared by and are the responsibility of the Company's management. These unaudited condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and reflect Management's best estimates and judgements based on information currently available. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established for a review of interim financial statements by an entity's auditor.

EVERYBODY LOVES LANGUAGES CORP.

(Formerly Lingo Media Corporation)

Condensed Consolidated Interim Financial Statements

As at September 30, 2022

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EVERYBODY LOVES LANGUAGES CORP.

(Formerly Lingo Media Corporation)

Condensed Consolidated Interim Balance Sheets

As at September 30, 2022 and December 31, 2021

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

	Notes	September 30, 2022	December 31, 2021
ASSETS			
Current Assets			
Cash and cash equivalents		\$ 1,947,938	\$ 1,880,830
Accounts and grants receivable	5, 15	1,092,339	1,101,908
Prepaid and other receivables		254,174	96,756
		<u>3,294,451</u>	<u>3,079,494</u>
Non-Current Assets			
Property and equipment	6	15,339	17,123
TOTAL ASSETS		\$ 3,309,790	\$ 3,096,617
EQUITY AND LIABILITIES			
Current Liabilities			
Accounts payable		\$ 139,957	\$ 63,571
Accrued liabilities		102,015	115,742
Contract liability	8	206,611	187,770
		<u>448,583</u>	<u>367,083</u>
Non-current Liabilities			
Loans payable	9	80,000	80,000
TOTAL LIABILITIES		528,583	447,083
Equity			
Share capital	10	21,927,007	21,914,722
Share-based payment reserve	11	4,189,219	4,128,108
Accumulated other comprehensive income		(447,961)	(405,284)
Deficit		(22,887,058)	(22,988,012)
TOTAL EQUITY		2,781,207	2,649,534
TOTAL EQUITY AND LIABILITIES		\$ 3,309,790	\$ 3,096,617

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

These condensed consolidated interim financial statements are authorized for issue by the Board of Directors on November 28 2022.

/s/ Gali Bar-Ziv

Director

/s/ Laurent Mareschal

Director

EVERYBODY LOVES LANGUAGES CORP.

(Formerly Lingo Media Corporation)

Condensed Consolidated Interim Statements of Comprehensive Income (Loss)

For the three-month and nine-month ended September 30, 2022, and 2021

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

	Notes	For the three months ended September 30		For the nine months ended September 30	
		2022	2021	2022	2021
Revenue	16,18	\$ 181,014	\$ 163,493	\$1,320,824	\$ 1,343,091
Expenses					
Selling, general and administrative expenses	14	300,835	264,444	885,177	782,138
Direct costs		61,786	77,796	189,510	251,161
Development costs		90,995	90,969	225,162	196,473
Share-based payment	11	15,098	-	66,596	1,780
Depreciation – right-of-use assets	7	-	-	-	16,788
Depreciation – property and equipment	6	968	961	2,775	4,485
Total Expenses		469,682	434,170	1,369,220	1,252,825
Profit / (Loss) from Operations		(288,668)	(270,677)	(48,396)	90,266
Net Finance Charges					
Interest expense		(3,828)	4,827	1,371	10,568
Foreign exchange (gain) / loss		(173,569)	19,735	(246,483)	(9,939)
Profit / (Loss) before Tax		(111,271)	(295,239)	196,716	89,637
Income Tax Expense (Recovery)	12	5,877	(13,144)	95,762	83,848
Net Profit / (Loss) for the Period		(117,148)	(282,095)	100,954	5,789
Other Comprehensive Income					
Exchange differences on translating foreign operations gain / (loss)		(33,761)	55,515	(42,677)	(49,038)
Total Comprehensive Income / (Loss), Net of Tax		\$ (150,909)	\$ (226,580)	\$58,277	\$ (43,249)
Earnings /(Loss) per Share					
Basic		\$(0.00)	\$(0.01)	\$0.00	\$0.00
Diluted		\$(0.00)	\$(0.01)	\$0.00	\$0.00
Weighted Average Number of Common Shares Outstanding					
Basic		35,615,351	35,529,132	35,584,818	35,529,132
Diluted		36,839,442	38,499,748	36,833,276	39,769,192

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

EVERYBODY LOVES LANGUAGES CORP.

(Formerly Lingo Media Corporation)

Condensed Consolidated Interim Statements of Changes in Equity

For the nine-month ended September 30, 2022, and 2021

(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, 2021	35,529,192	\$ 21,914,722	\$ 4,072,176	\$ (352,764)	\$ (23,767,105)	\$ 1,867,029
Income for the period	-	-	-	-	5,789	5,789
Other comprehensive loss	-	-	-	(49,038)	-	(49,038)
Share-based payments charged to operations	-	-	1,780	-	-	1,780
Balance as at September 30, 2021	35,529,192	\$21,914,722	\$ 4,073,956	\$ (401,802)	\$ (23,761,316)	\$ 1,825,560
Income for the period	-	-	-	-	773,304	773,304
Other comprehensive income	-	-	-	(3,482)	-	(3,482)
Share-based payments charged to operations	-	-	54,152	-	-	54,152
Balance as at December 31, 2021	35,529,192	\$ 21,914,722	\$ 4,128,108	\$ (405,284)	\$ (22,988,012)	\$ 2,649,534
Shares issued – option exercise	113,332	12,285	(5,485)	-	-	6,800
Income for the period	-	-	-	-	100,954	100,954
Other comprehensive income (loss)	-	-	-	(42,677)	-	(42,677)
Share-based payments charged to operations	-	-	66,596	-	-	66,596
Balance as at September 30, 2022	35,642,524	\$ 21,927,007	\$ 4,189,219	\$ (447,961)	\$ (22,887,058)	\$ 2,781,207

No preference shares were issued as of September 30, 2022.

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

EVERYBODY LOVES LANGUAGES CORP.

(Formerly Lingo Media Corporation)

Condensed Consolidated Interim Statements of Cash Flows

For the three and nine-month ended September 30, 2022, and 2021

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

	For the three months ended September 30		For the nine months ended September 30	
	2022	2021	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (Loss) for the period	\$ (117,148)	\$ (282,095)	\$ 100,954	\$ 5,789
Adjustments to Net Income (Loss) for Non-Cash Items:				
Share-based payment	15,098	-	66,596	1,780
Unrealized foreign exchange (gain)/loss	(33,761)	55,518	(42,677)	(45,782)
Loan forgiveness	-	-	-	(10,000)
Depreciation	968	961	2,775	21,273
Operating Income (Loss) before Working Capital Changes	(134,843)	(225,616)	127,648	(26,940)
Working Capital Adjustments:				
(Increase) / decrease in accounts and grants receivable	(178,528)	175,357	9,569	(39,572)
(Increase) / decrease in prepaid and other receivables	(141,303)	(6,421)	(157,418)	55,327
Increase / (decrease) in accounts payable	32,330	(39,119)	76,386	(19,405)
Increase / (decrease) in accrued liabilities	(26,657)	2,582	(13,727)	(25,021)
Increase / (decrease) in contract liability	(16,146)	(14,278)	18,841	29,228
Lease obligation	-	-	-	(19,600)
Cash Provided by (Used in) Operations	(465,147)	(107,495)	61,299	(45,983)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property and equipment	-	-	(991)	(2,248)
Net Cash Flows Used in Investing Activities	-	-	(991)	(2,248)
CASH FLOWS FROM FINANCING ACTIVITIES				
Option exercise	2,000	-	6,800	-
Proceeds from loans	-	-	-	20,000
Net Cash Flows Provided By (Used in) Financing Activities	2,000	-	6,800	20,000
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(463,147)	(107,495)	67,108	(28,231)
Cash and Cash Equivalents, Beginning of the Period	2,411,085	1,292,042	1,880,830	1,212,778
Cash and Cash Equivalents, End of the Period	\$ 1,947,938	\$ 1,184,547	\$ 1,947,938	\$ 1,184,547

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

EVERYBODY LOVES LANGUAGES CORP.

(Formerly Lingo Media Corporation)

Notes to Condensed Consolidated Interim Financial Statements

For the period ended September 30, 2022

(Unaudited - See Notice to Reader)

1. CORPORATE INFORMATION

Everybody Loves Languages Corp. (“ELL” 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 “ELL” and inter-listed on the OTC Markets under the symbol “LMDCF” and Frankfurt Stock Exchange under the symbol “LIMA”. The condensed consolidated interim financial statements of the Company as at and for the 9-month period ended September 30, 2022 comprise the Company and its wholly owned subsidiaries: Lingo Learning Inc., Everybody Loves Languages Inc., Lingo Group Limited., Vizualize Technologies Corporation, Speak2Me Inc., and Parlo Corporation (the “Group”). The Company’s 100% subsidiary Everybody Loves Languages Inc. holds 51% interest in Everybody Loves Languages Ltd., a subsidiary partnering with Row 9-Digital to develop and sell language learning programs that teach reading, writing, speaking, and listening skills by using Hollywood film clips from popular movies.

Everybody Loves Languages Corp. (“ELL”) is an edtech language-learning and content development company empowering language educators to easily transition from traditional teaching methods to digital learning by integrating education, edutainment, and technology. The Company provides online and print-based solutions through its two distinct business units: Everybody Loves Languages Inc. and Lingo Learning Inc. Everybody Loves Languages Inc. is a state-of-the-art technology platform that delivers personalized learning experiences in classrooms and online. Its programs provide innovative SaaS-based eLearning solutions, including online and offline content, a learning management system, assessments, real-time reports, speech recognition technology, and white-label tools. At the same time, Lingo Learning Inc. is the content development arm publishing print-based English language learning materials in China.

On October 13, 2022, the shareholders approved to change the name of the Company to Everybody Loves Languages Corp. As part of the name change, effective at the start of trading on October 17, 2022, Everybody Loves Languages Corp. commenced trading on the TSX Venture Exchange under the new trading symbol “ELL” and continued to trade on the OTC Market under the trading symbol “LMDCF” and on the Frankfurt Stock Exchange under “LIMA”.

The head office, principal address and registered office of the Company is located at 20 Bay Street, 11th floor, Toronto, Ontario, Canada M5J 2N8.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These condensed consolidated interim financial statements are unaudited and have been prepared in accordance with IAS 34 ‘Interim Financial Reporting’ (“IAS 34”) using accounting policies consistent with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

The condensed consolidated interim financial statements for the period ended September 30, 2022, were approved and authorized by the Board of Directors on November 28, 2022.

2.2 Basis of measurement

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

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Notes to Condensed Consolidated Interim Financial Statements

For the period ended September 30, 2022

(Unaudited - See Notice to Reader)

2. BASIS OF PREPARATION (Cont'd)

2.3 Basis of consolidation

The condensed consolidated interim financial statements comprise the financial statements of the Company and its wholly owned subsidiaries controlled by the Company (the "Group") as at September 30, 2022. 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 Lingo Group Limited is 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 condensed consolidated interim financial statements in conformity with IFRS requires management to make judgments, 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 revision affects both current and future periods.

Information about critical judgements 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
- Recognition of government grant and grant receivable
- Recognition of deferred tax assets
- Valuation of share-based payments

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Company in these Condensed Consolidated Interim Financial Statements are the same as those applied by the Company in its Consolidated Financial Statements for the year ended December 31, 2021.

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Notes to Condensed Consolidated Interim Financial Statements

For the period ended September 30, 2022

(Unaudited - See Notice to Reader)

5. ACCOUNTS AND GRANTS RECEIVABLE

Accounts and grants receivable consist of:

	September 30, 2022	December 31, 2021
Trade receivable	\$ 922,339	\$ 1,101,908
Grants receivable	170,000	-
	<u>\$ 1,092,339</u>	<u>\$ 1,101,908</u>

As at September 30, 2022, the Company had accounts receivable of \$918,619 (2021- \$69,179) greater than 30 days overdue and not impaired.

6. PROPERTY AND EQUIPMENT

	Computer and Office Equipment	Leasehold Improvements	Total
Cost, January 1, 2021	\$ 86,952	\$ 33,180	\$ 120,132
Additions	2,248	-	2,248
Disposal	(33,384)	-	(33,384)
Effect of foreign exchange	(172)	-	(172)
Cost, September 30 2021	\$ 55,644	\$ 33,180	\$ 88,824
Cost, December 31, 2021	\$ 55,644	\$ 33,180	\$ 88,824
Additions	991	-	991
Cost, September 30, 2022	\$ 56,635	\$ 33,180	\$ 89,815
Accumulated depreciation, January 1, 2021	\$ 64,689	\$ 31,758	\$ 96,447
Charge for the period	3,063	1,422	4,485
Disposal	(30,134)	-	(30,134)
Effect of foreign exchange	(168)	-	(168)
Accumulated depreciation, September 30, 2021	\$ 37,450	\$ 33,180	\$ 70,630
Charge for the period	1,071	-	1,071
Accumulated depreciation, December 31, 2021	\$ 38,521	\$ 33,180	\$ 71,701
Charge for the period	2,775	-	2,775
Accumulated depreciation, Sept. 30, 2022	\$ 41,296	\$ 33,180	\$ 74,476
Net book value, January 1, 2021	\$ 22,263	\$ 1,422	\$ 23,685
Net book value, September 30, 2021	\$ 18,195	\$ -	\$ 18,195
Net book value, December 31, 2021	\$ 17,123	\$ -	\$ 17,123
Net book value, September 30, 2022	\$ 15,339	\$ -	\$ 15,339

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Notes to Condensed Consolidated Interim Financial Statements

For the period ended September 30, 2022

(Unaudited - See Notice to Reader)

7. RIGHT-OF-USE ASSET AND LEASE OBLIGATION

The Company had one office facility under lease. The lease term was 5 years from 2016, with an option to renew the lease for another 5 year term after that date. The Company did not renew the lease on expiry.

The Company has equipment lease 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 leases and low dollar value. The Beijing office lease expense for the period ended September 30, 2022 is \$9,988.

The Company's right-of-use assets and movements during the period ended September 30, 2021:

	Office Lease
Right-of-use assets recognized on adoption of IFRS 16 on January 1, 2020	\$ 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
Depreciation on right-of-use assets	(16,788)
Right-of-use assets at September 31, 2021 and 2022	\$ -

8. CONTRACT LIABILITY

The following table presents changes in the contract liabilities balance:

Balance, January 01, 2021	\$ 218,566
Amounts invoices and revenue deferred as at September 30, 2021	325,603
Recognition of deferred revenue included in the period	(296,375)
Balance, September 30, 2021	\$ 247,794
Amounts invoices and revenue deferred as at December 31, 2021	61,486
Recognition of deferred revenue included in the period	(121,510)
Balance, December 31, 2021	187,770
Amounts invoices and revenue deferred as at September 30, 2022	251,003
Recognition of deferred revenue included in period	(232,162)
Balance, September 30, 2022	\$ 206,611

9. LOAN PAYABLE

In 2020, the Company received loans of \$80,000 through Canadian Emergency Business Account Program ("CEBA Loan"), which provides financial relief for Canadian small business during the COVID-19 pandemic. In 2021, the Company received additional \$20,000 CEBA loan. The CEBA loan has an initial term date on December 31, 2021 (the "Initial Term Date") and may be extended to December 31, 2025. Repayment on or before the new deadline of December 31, 2023, will result in loan forgiveness of up to \$20,000. The CEBA Loan is non-revolving, with an interest rate being 0% per annum prior to the initial Term Date. Outstanding loans will be subsequently converted to two-year term loans with interest of 5 per cent per annum commencing on January 1, 2024, with the loans fully due by December 31, 2025. Repayment of principal is not required before December 31, 2023. Loan forgiveness \$20,000 has been recorded as a reduction of general and administrative expense in 2020 and 2021.

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Notes to Condensed Consolidated Interim Financial Statements

For the period ended September 30, 2022

(Unaudited - See Notice to Reader)

10. SHARE CAPITAL

Authorized

Unlimited number of preference shares with no par value

Unlimited number of common shares with no par value

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 (officers), 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 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 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 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 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.

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Notes to Condensed Consolidated Interim Financial Statements

For the period ended September 30, 2022

(Unaudited - See Notice to Reader)

11. SHARE-BASED PAYMENTS (Cont'd)

The following summarizes the options outstanding:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contract
Outstanding as at January 1, 2021	4,240,000	\$ 0.07	1.08
Forfeited	(185,000)	\$0.05	
Outstanding as at September 30, 2021	4,055,000	\$0.07	0.29
Granted	2,740,000	\$0.06	4.96
Expired	(2,705,000)	\$0.04	
Forfeited	(150,000)	\$0.05	
Outstanding as at December 31, 2021	3,940,000	\$0.06	3.53
Granted	200,000	\$0.08	4.91
Exercised	(113,332)	\$0.06	
Expired	(1,050,000)	\$0.08	
Forfeited	(50,000)	\$0.05	
Outstanding as at September 30, 2022	2,926,668	\$0.07	4.13
Options exercisable as at September 30, 2021	4,055,000	\$0.07	
Options exercisable as at December 31, 2021	1,656,667	\$0.07	
Options exercisable as at September 30, 2022	1,884,445	\$0.06	

The weighted average remaining contractual life for the stock options outstanding as at September 30, 2022 was 4.13 years (2021 – 0.29 years). The range of exercise prices for the stock options outstanding as at September 30, 2022 was \$0.05 - \$0.08 (2021- 0.05 - \$0.13). The weighted average grant-date fair value of options granted to management, employees, directors and consultants in August 2022 was estimated at \$0.0654 using the Black-Scholes option-pricing model. The estimated fair value of the options granted is expensed quarterly over 18 months.

The pricing model assumes the weighted average risk free interest rates of 3.14% (2021 – 1.37%), weighted average expected dividend yields of nil (2021 – nil), the weighted average expected common stock price volatility (based on historical trading) of 118% (2021 – 123%), a forfeiture rate of 0% (2021 – 0%), a weighted average stock price of \$0.11 (2021 - \$0.05), a weighted average exercise price of \$0.06 (2021 - \$0.05), and a weighted average expected life of 4.13 years (2021 – 3 years), which were estimated based on past experience with options and option contract specifics.

12. TAX EXPENSE

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

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For the period ended September 30, 2022

(Unaudited - See Notice to Reader)

13. GOVERNMENT GRANTS AND SUBSIDY

Canada Book Funds

Included as a reduction of selling, general and administrative expenses are government grants of \$230,097 (2021 - \$160,097), of which, \$165,000 (2021 - \$115,097) relating to the Company's publishing and software projects, \$50,000 is a contribution received from Canada Book Fund ("CBF") for business development, and \$15,000 is a grant rewarded to help develop accessible audio books. At the end of the period, \$170,000 (2021 - \$110,000) is included in accounts and grants receivable.

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

The contribution received from CBF for business development is set to be \$50,000 or 50% towards the eligible expenditures incurred by the Company for approved project. If the contribution exceeds 75% of the total project cost, the Company shall repay any excess to CBF.

Technation Canada – Career Ready Program

Career Ready Program is part of the Government of Canada's Student Work Placement Program. It supports businesses by financing their decision to hire a student for a work-term placement. This in turn creates a rewarding opportunity for the student to apply their learning in real-world setting and puts them on a path to a bright career. During the period, the Company received \$15,000 from the program. It has been recorded as a reduction of General and Administrative Expense.

14. FINANCIAL INSTRUMENTS

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 due to the requirement to extinguish the liabilities on demand or payable within a year.

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:

a. 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.

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Notes to Condensed Consolidated Interim Financial Statements

For the period ended September 30, 2022

(Unaudited - See Notice to Reader)

14. FINANCIAL INSTRUMENTS (Cont'd)

a. Foreign currency risk (Cont'd)

A 10% strengthening of the US Dollar against the Canadian Dollar would have increased the net equity approximately by \$143,182 (2021 - \$97,025) due to reduction in the value of net liability balance. A 10% of weakening of the US Dollar against the Canadian Dollar at September 30, 2022 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 September 30, 2022 are as follows:

	US Denominated USD
Cash	783,454
Accounts receivable	665,518
Accounts payable	25,649

b. 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. On September 30, 2022, the Company had cash of \$1,947,938, accounts and grants receivable of \$1,092,339 and prepaid and other receivables of \$254,174 to settle current liabilities of \$448,583.

c. 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 of September 30, 2022, the Company has outstanding trade receivables of \$922,339 (2021 - \$848,424). New impairment requirements 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 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 the period ended on September 30, 2022 and on September 30, 2021, a government agency of the People's Republic of China. The total percentage of sales to this customer during the period was 72% (2021 - 68%) and the total percentage of accounts receivable on September 30, 2022 was 97% (2021 - 97%).

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 English 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.

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16. CAPITAL MANAGEMENT (Cont'd)

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 distribution 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 2022 or in 2021.

17. SEGMENTED INFORMATION

The Company operates two distinct reportable business segments as follows:

License of intellectual property: Lingo Learning is a content-based publisher of English language learning textbook programs in China. It earns significantly higher royalties from Licensing Sales compared to Finished Product Sales.

Online and Offline Language Learning: Everybody Loves Languages Inc. 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.

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

Segmented Information (Before Other Financial Items Below)

September 30, 2022	Online English Language Learning	Content-Based English Language Learning	Head Office	Total
Segmented assets	\$ 383,198	\$ 2,850,371	\$ 76,221	\$ 3,309,790
Segmented liabilities	294,680	93,894	140,009	528,583
Segmented revenue	366,522	954,302	-	1,320,824
Segmented direct costs	87,170	102,339	-	189,510
Segmented selling, general & administrative	104,573	237,136	543,468	885,177
Segmented other expense	879	97,436	223	98,538
Segmented profit / (loss)	(21,390)	487,520	(543,692)	(77,562)

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17. SEGMENTED INFORMATION (Cont'd)

September 30, 2021	Online English Language Learning	Content-Based English Language Learning	Head Office	Total
Segmented assets	\$ 253,937	\$ 2,036,439	\$ 39,394	\$ 2,329,770
Segmented liabilities	333,207	105,415	65,589	504,211
Segmented revenue	425,796	917,295	-	1,343,091
Segmented direct costs	89,108	162,053	-	251,161
Segmented selling, general & administrative	139,122	260,665	382,351	782,138
Segmented other expense	798	104,104	223	105,121
Segmented profit / (loss)	297	390,475	(382,574)	8,198

Other Financial Items	2022	2021
Online English Language Learning segmented income	\$ (21,390)	\$ 1,075
Print-Based English Language Learning segmented income	487,520	390,475
Head office	(543,692)	(382,574)
Foreign exchange	246,483	9,939
Interest income (expense)	(1,371)	(11,346)
Share-based payment	(66,596)	(1,780)
Other comprehensive income (loss)	(42,677)	(49,038)
Total Comprehensive Income (Loss)	\$ 58,277	\$ (43,249)

Revenue by Geographic Region

	2022	2021
Latin America	\$ 338,234	\$ 387,082
China	956,222	926,228
Other	26,368	29,781
	\$ 1,320,824	\$ 1,343,091

Identifiable Non-Current Assets by Geographic Region

	2022	2021
Canada	\$ 15,749	\$ 17,810
China	326	385
	\$ 16,075	\$ 18,195

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18. SUPPLEMENTAL CASH FLOW INFORMATION

	2022	2021
Income taxes and other taxes paid	95,762	83,848
Interest paid	12,599	12,405
Interest received	11,228	1,837

19. RELATED PARTY BALANCES AND TRANSACTIONS

During the period, 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) For the nine-month period ended September 30, 2022, the Company charged \$Nil (2021 - \$6,430) to corporations with directors or officer in common for rent, administration, office charges and telecommunications.
- (b) During the period ended September 30, 2022, the Company recorded \$27,000 director fees to independent directors of which \$3,390 was included in accounts payable and \$3,000 was included in accrued liabilities.
- (c) Key management compensation for the nine-month period ended September 30, 2022 was \$249,270 (2021 – \$238,500) and was reflected as consulting fees paid to corporations owned by a director and officers of the Company, of which \$57,935 (2021 - Nil) of the management compensation was included in accounts payable.

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.

Everybody Loves Languages 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. In addition, the company is eligible and has applied for certain government subsidies, additional grants and interest-free loans, which will be reflected in the subsequent period financial statements.

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20. COVID-19 (Cont'd)

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. Everybody Loves Languages is offering e-learning solutions which fit the challenges schools and universities are facing by providing online language learning solutions. In addition, the Company has designed a number of programs to ensure its clients can easily deploy its suite of products that are well suited for a quarantined environment.

21. SUBSEQUENT EVENT

After the period ended September 30, 2022, the Company signed an exclusive distribution agreement with Unlimited Educational Service, the largest language learning digital and print content developer and distributor in Turkey. As part of the distribution agreement, UES will market ELL's full suite of products including its movie-based lessons.