

LINGO MEDIA CORPORATION
Condensed Consolidated Interim Financial Statements

For the three-month period ended March 31, 2017

LINGO MEDIA CORPORATION

Condensed Consolidated Interim Financial Statements

As at March 31, 2017

Notice to Reader

Management has compiled the Condensed Consolidated Interim Financial Statements of Lingo Media Corporation (“Lingo Media” or the “Company”) consisting of the Balance Sheets as at March 31, 2017 and the Statements of Comprehensive Income, Changes in Equity and Cash Flows for the three months then ended. All amounts are stated in Canadian Dollars. An accounting firm has not reviewed or audited these interim financial statements and management discussion and analysis thereon.

LINGO MEDIA CORPORATION

Condensed Consolidated Interim Financial Statements

As at March 31, 2017

Contents

Condensed Consolidated Interim Financial Statements	Page
Balance Sheets	4
Statements of Comprehensive Income	5
Statements of Changes in Equity	6
Statements of Cash Flows	7
Notes to the Financial Statements	8-20

LINGO MEDIA CORPORATION

Condensed Consolidated Interim Balance Sheets

As of March 31, 2017 and December 31, 2016

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

	Notes	March 31, 2017	December 31, 2016
ASSETS			
Current Assets			
Cash and cash equivalents		\$ 300,042	\$ 84,303
Accounts and grants receivable	5	2,663,280	3,044,928
Prepaid and other receivables		338,329	579,846
		<u>3,301,651</u>	<u>3,709,077</u>
Non-Current Assets			
Long-term deposit		300,000	300,000
Property and equipment	6	26,087	27,488
Intangibles	7	3,580,555	3,000,009
Goodwill		139,618	139,618
		<u>\$ 7,347,911</u>	<u>\$ 7,176,192</u>
TOTAL ASSETS			
EQUITY AND LIABILITIES			
Current Liabilities			
Accounts payable		\$ 264,898	\$ 273,750
Accrued liabilities		194,620	249,736
Lease inducement		44,633	57,673
Loans payable	8	395,000	150,000
		<u>\$ 899,151</u>	<u>\$ 731,159</u>
TOTAL LIABILITIES			
Equity			
Share capital	9	21,914,722	21,914,722
Share-based payment reserve	10	3,421,165	3,421,165
Warrants	11	-	-
Accumulated other comprehensive income		(302,255)	(302,037)
Deficit		(18,584,872)	(18,588,817)
		<u>6,448,760</u>	<u>6,445,033</u>
TOTAL EQUITY			
TOTAL EQUITY AND LIABILITIES			
		<u>\$ 7,347,911</u>	<u>\$ 7,176,192</u>

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 May 27, 2017.

/s/ Michael Kraft

Director

/s/ Martin Bernholtz

Director

LINGO MEDIA CORPORATION

Condensed Consolidated Interim Statements of Comprehensive Income
For the three-months ended March 31, 2017, 2016 and 2015
(Unaudited, expressed in Canadian Dollars, unless otherwise stated)

	Notes	2017	2016	2015
Revenue		\$ 597,977	\$ 756,858	\$ 651,627
Expenses				
Selling, general and administrative		231,688	204,701	260,184
Amortization - intangibles	7	294,272	224,288	180,041
Direct costs		37,930	58,221	59,279
Share-based payments		-	-	29,239
Depreciation – property and equipment	6	1,389	1,444	1,718
Total Expenses		565,279	488,654	530,461
Income / (Loss) from Operations		32,698	268,204	121,166
Net Finance Charges				
Interest expense		9,382	18,157	48,329
Foreign exchange (gain) / loss		13,452	186,544	(159,743)
Income / (Loss) Before Income Tax		9,864	63,503	232,580
Income Tax Expense		5,919	12,673	7,151
Net Profit / (Loss) for the Period		3,945	50,830	225,429
Other Comprehensive Income				
Exchange differences on translating foreign operations gain / (loss)		(218)	60,958	(78,831)
Total Comprehensive Income / (Loss), Net of Tax		\$ 3,727	\$ 111,788	\$ 146,598
Earnings / (Loss) per Share				
Basic		\$ 0.00	\$ 0.01	\$ 0.01
Diluted		\$ 0.00	\$ 0.00	\$ 0.01
Weighted Average Number of Common Shares Outstanding				
Basic		35,529,132	29,746,494	22,134,245
Diluted		37,099,039	30,731,246	25,878,767

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

LINGO MEDIA CORPORATION

Condensed Consolidated Interim Statements of Changes in Equity

For the three month ended March 31, 2017 and 2016

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

	Issued Share Capital		Share- Based Reserves	Warrants	Accumulated Other Comprehensive Income	Deficit	Total Equity
	No. of Shares	Amount					
Balance as at January 1, 2016	29,518,343	\$18,927,388	\$2,695,038	\$1,439,632	\$ (362,210)	\$ (18,653,064)	\$ 4,046,784
Profit for the period	-	-	-	-	-	50,830	50,830
Other comprehensive loss	-	-	-	-	60,958	-	60,958
Warrants exercise	1,450,000	595,445	-	(39,195)	-	-	556,250
Stock option exercise	63,333	35,430	(12,647)	-	-	-	22,783
Balance as at March 31, 2016	31,031,676	\$19,558,263	\$2,682,391	\$1,400,437	\$ (301,252)	\$ (18,602,234)	\$ 4,737,605
Profit for the period	-	-	-	-	-	13,417	13,417
Other comprehensive loss	-	-	-	-	(785)	-	(785)
Warrant exercise	4,261,683	2,309,395	-	(644,383)	-	-	1,665,012
Stock option exercise	235,773	47,064	(17,280)	-	-	-	29,784
Expired warrant	-	-	756,054	(756,054)	-	-	-
Balance as at December 31, 2016	35,529,132	\$ 21,914,722	\$3,421,165	\$ -	\$ (302,037)	\$ (18,588,817)	\$ 6,445,033
Profit for the period	-	-	-	-	-	3,945	3,945
Other comprehensive loss	-	-	-	-	(218)	-	(218)
Balance as at March 31, 2017	35,529,132	\$ 21,914,722	\$3,421,165	\$ -	\$ (302,255)	\$ (18,584,872)	\$ 6,448,760

No preference shares were issued at March 31, 2017, December 31, 2016 and 2015.

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

LINGO MEDIA CORPORATION

Condensed Consolidated Interim Statements of Cash Flows
For the three-months ended March 31, 2017, 2016 and 2015
(Unaudited, expressed in Canadian Dollars, unless otherwise stated)

	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Profit / (Loss) for the Period	\$ 3,945	\$ 50,830	\$ 225,429
Adjustments to Net Profit for Non-Cash Items:			
Amortization - intangible	294,272	204,701	180,041
Share-based payment	-	-	29,239
Unrealized foreign exchange gain / (loss)	(13,246)	73,824	(84,566)
Interest accretion	-	-	15,000
Depreciation – property and equipment	1,389	1,444	1,718
Operating Profit / (Loss) Before Working Capital Changes	286,360	350,386	366,862
Working Capital Adjustments:			
(Increase)/decrease in accounts and grants receivable	381,648	(620,365)	(521,912)
(Increase)/decrease in prepaid and other receivables	241,517	(2,262)	(34,670)
Increase/(decrease) in accounts payable	(8,852)	8,630	4,783
Increase/(decrease) in accrued liabilities	(55,116)	12,402	86,243
Cash Generated from / (used in) Operations	845,557	(251,209)	(98,694)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of intangibles	(874,818)	(601,716)	(377,923)
Purchase of property and equipment	-	(2,022)	(2,769)
Net Cash Flows Generated from / (used in) investing activities	(874,818)	(603,738)	(380,692)
CASH FLOWS FROM FINANCING ACTIVITIES			
Stock Option Exercise	-	10,883	-
Warrant Exercise	-	556,250	-
Proceeds from loans	685,000	-	90,000
Repayment of loan payable	(440,000)	-	-
Net Cash Flows Generated from / (used in) Financing Activities	245,000	567,133	90,000
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	215,739	(287,814)	(389,386)
Cash and Cash Equivalents at the Beginning of the Period	84,303	409,022	477,001
Cash and Cash Equivalents at the End of the Period	\$ 300,042	\$ 121,208	\$ 87,615

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

LINGO MEDIA CORPORATION

Notes to Condensed Consolidated Interim Financial Statements

March 31, 2017

(Unaudited - See Notice to Reader)

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 and inter-listed on the OTCQB Marketplace. The consolidated financial statements of the Company as at and for the year ended December 31, 2016 comprise the Company and its wholly owned subsidiaries: Lingo Learning Inc., ELL Technologies Ltd., ELL Technologies Limited, ELL Technologies Worldwide Ltd., Speak2Me Inc., Parlo Corporation and Lingo Group Limited (the “Group”).

Lingo Media is an EdTech company that is ‘*Changing the way the world learns English*’. The Company 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 is a global English language learning multi-media and online training company. Lingo Learning is a print-based publisher of English language learning school programs in China.

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

These condensed consolidated interim financial statements 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 May 27, 2017.

2.2 Basis of measurement

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

2.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its wholly owned subsidiaries controlled by the Company (the “Group”) as at March 31, 2017. 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.

LINGO MEDIA CORPORATION

Notes to Condensed Consolidated Interim Financial Statements

March 31, 2017

(Unaudited - See Notice to Reader)

2. BASIS OF PREPARATION (Cont'd)

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 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 judgments 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 allowance for doubtful accounts
- Determination of the recoverability of the carrying value of intangibles and goodwill
- Recognition of internally developed intangibles
- Determination and recognition of long-term revenue contracts
- Recognition of government grant and grant receivable
- Recognition of deferred tax assets
- Valuation of share-based payments
- Recognition of provisions and contingent liabilities

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, 2016.

LINGO MEDIA CORPORATION

Notes to Condensed Consolidated Interim Financial Statements

March 31, 2017

(Unaudited - See Notice to Reader)

5. ACCOUNTS AND GRANTS RECEIVABLE

Accounts and grants receivable consist of:

	March 31, 2017	December 31, 2016
Trade receivable	\$ 2,586,433	\$ 3,023,081
Grants receivable	76,847	21,847
	<u>\$ 2,663,280</u>	<u>\$ 3,044,928</u>

6. PROPERTY AND EQUIPMENT

Cost, January 1, 2016	\$ 188,421
Additions	2,022
Effect of foreign exchange	(2,061)
Cost, March 31, 2016	<u>\$ 188,382</u>
Additions	6,610
Disposal	(114,624)
Effect of foreign exchange	345
Cost, December 31, 2016	<u>\$ 80,713</u>
Additions	-
Effect of foreign exchange	(104)
Cost, March 31, 2017	<u>\$ 80,609</u>
Accumulated depreciation, January 1, 2016	\$ 159,542
Charge for the period	1,444
Effect of foreign exchange	(2,030)
Accumulated depreciation, March 31, 2016	<u>\$ 158,956</u>
Charge for the period	5,853
Disposal	(117,294)
Effect of foreign exchange	5,710
Accumulated depreciation, December 31, 2016	<u>\$ 53,225</u>
Charge for the period	1,389
Effect of foreign exchange	(92)
Accumulated depreciation, March 31, 2017	<u>\$ 54,522</u>
Net book value, January 1, 2016	\$ 28,879
Net book value, December 31, 2016	\$ 27,488
Net book value, March 31, 2017	\$ 26,087

LINGO MEDIA CORPORATION

Notes to Condensed Consolidated Interim Financial Statements

March 31, 2017

(Unaudited - See Notice to Reader)

7. INTANGIBLES

	Software and Web Development	Content Platform	Content Development	Total
Cost, January 1, 2016	\$ 8,631,006	\$ 1,477,112	\$ 1,288,495	\$ 11,396,613
Additions	188,735	-	412,981	601,716
Effect of foreign exchange	(25,651)	-	-	(26,651)
Cost, March 31, 2016	8,794,090	1,477,112	1,701,476	\$ 11,972,678
Additions	424,428	-	772,544	1,196,972
Effect of foreign exchange	20,570	-	-	20,570
Cost, December 31, 2016	9,239,088	1,477,112	2,474,020	13,190,219
Additions	306,317	-	568,501	874,818
Cost, March 31, 2017	\$ 9,545,405	\$ 1,477,122	\$ 3,042,521	\$ 14,065,037
Accumulated depreciation, January 1, 2016	\$ 7,622,225	\$ 1,477,112	\$ 91,532	\$ 9,190,869
Charge for the period	141,962	-	72,855	214,817
Effect of foreign exchange	(15,446)	-	-	(15,446)
Accumulated depreciation, March 31, 2016	\$ 7,748,741	\$ 1,477,112	\$ 164,387	\$ 9,390,240
Charge for the period	469,903	-	318,765	788,668
Effect of foreign exchange	11,302	-	-	11,302
Accumulated depreciation, December 31, 2016	8,229,946	1,477,112	483,152	10,190,210
Charge for the period	170,571	-	123,701	294,272
Accumulated depreciation, March 31, 2017	\$ 8,400,517	\$ 1,477,112	\$ 606,853	\$ 10,484,482
Net book value, December 31, 2016	\$ 1,009,142	\$ -	\$ 1,990,867	\$ 3,000,009
Net book value, March 31, 2017	\$ 1,144,888	\$ -	\$ 2,435,668	\$ 3,580,555

The Company began commercial production and sale of its services and products during 2009 and started amortizing the cost of software and web development costs on a straight-line basis over the useful life of the assets which is estimated to be 3 years.

LINGO MEDIA CORPORATION

Notes to Condensed Consolidated Interim Financial Statements

March 31, 2017

(Unaudited - See Notice to Reader)

8. LOANS PAYABLE

	March 31, 2017	December 31, 2016
Loans payable, interest bearing at 8% per annum with monthly interest payments, due on April 30, 2017 ⁽ⁱ⁾	\$ 395,000	\$ 150,000
	\$ 395,000	\$ 150,000

- (i) The Company received an unsecured bridge loan in the first quarter of 2017. Included in loans payable are loans amounting to \$nil (2016 – \$580,000) to related parties as disclosed in Note 17.

Subsequent to the period end, the loans payable were repaid in full.

9. SHARE CAPITAL

a) Authorized

Unlimited number of preference shares with no par value

Unlimited number of common shares with no par value

b) Common shares - Transactions:

- (i) On March 4, 2011, the Company closed a non-brokered private placement financing of 2,500,000 units (each a "Unit") at \$0.60 per Unit and an over-allotment of 1,158,668 Units for gross proceeds of \$2,195,200 (the "Financing"). Each Unit is comprised of one common share (each a "Common Share") in the capital of the Company and one non-transferable common share purchase warrant (each a "Warrant"). Each Warrant entitles the holder to purchase one Common Share at an exercise price of \$0.75 per share until September 4, 2012. The Warrants are callable, at the option of Lingo Media, after July 5, 2011 in the event its Common Shares trade at or over \$1.20 per share for 10 consecutive trading days.

On August 23, 2012, the expiry date of the Warrants was extended for additional 18 months to March 4, 2014 with all other conditions remaining the same. On February 21, 2014, the expiry date of the warrants was extended for an additional 2 years to March 4, 2016 with all other terms remaining consistent.

In March 2016, 600,000 warrants were exercised. Each warrant entitled the holder to one common share of the Company at an exercise price of \$0.75 for the gross proceeds of \$450,000. These warrants have a grant date fair value of \$0.241. The weighted average exercise price on the date of exercise of these warrants was \$0.78, and the remaining expired on March 4, 2016

- (ii) On May 11, 2011, Lingo Media closed a non-brokered private placement financing of 1,875,000 units at \$0.60 per Unit for gross proceeds of \$1,125,000 (the "Second Financing"). Each Unit is comprised of one common share in the capital of the Company and one non-transferable common share purchase warrant. Each Warrant entitles the holder to purchase one Common Share at an exercise price of \$0.75 per share until November 11, 2012. The Warrants are callable, at the option of Lingo Media, after September 11, 2011 in the event its Common Shares trade at or over \$1.20 per share for 10 consecutive trading days.

On August 23, 2012, the expiry date of the Warrants from the Second Financing was extended for an additional 18 months to May 11, 2014 with all other conditions remaining the same. Additionally, on February 21, 2014, the warrants were extended for an additional 2 years to May 11, 2016 with all other terms remaining consistent.

LINGO MEDIA CORPORATION

Notes to Condensed Consolidated Interim Financial Statements

March 31, 2017

(Unaudited - See Notice to Reader)

9. SHARE CAPITAL (Cont'd)

b) Common shares Transactions: (Cont'd)

- (ii) In April 2016, 1,811,683 warrants were exercised. Each warrant entitled the holder to one common share of the Company at an exercise price of \$0.75 for the gross proceeds of \$1,358,762. These warrants have a grant date fair value of \$0.272. The weighted average exercise price on the date of exercise of these warrants was \$1.01, and the remaining expired on May 11, 2016
- (iii) On April 17, 2015, Lingo Media closed a non-brokered private placement financing of 5,000,000 units at \$0.10 per Unit for gross proceeds of \$500,000. Each Unit is comprised of one common share in the capital of the Company and one common share purchase warrant. Each Warrant entitles the holder to purchase one Common Share at an exercise price of \$0.125 per share until April 17, 2016. The securities issued pursuant to the Financing will be subject to a 4-month regulatory hold period commencing from April 17, 2015. One director of the Company participated in the private placement and subscribed to 400,000 Units for a total price of \$40,000. During 2016, 3,300,000 warrants were exercised for the gross proceeds of \$412,500. These warrants have a grant date fair value of \$0.014. The weighted average exercise price on the date of exercise of these was \$0.99.

c) Stock options exercise

In 2016, 299,166 stock options were exercised. Each stock option entitled the holder to one common share of the Company at an exercise price of \$0.13, \$0.14, 0.24 and \$0.66 for the gross proceeds of \$52,567. These options have a grant date fair value of \$0.0674, \$0.0721, 0.1443 and \$0.5174 respectively. The weighted average exercise price on the date of exercise of these options was \$0.18.

d) Warrants exercise

In 2016, 5,711,683 warrants were exercised. Each warrant entitled the holder to one common share of the Company at an exercise price of \$0.125 and \$0.75 for the gross proceeds of \$2,221,262. These warrants have a grant date fair value of \$0.014, \$0.241 and \$0.272. The weighted average exercise price on the date of exercise of these warrants was \$0.39.

10. SHARE-BASED PAYMENTS

In December 2011, the Company amended its stock option plan (the "2011 Plan"). The 2011 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 2011 Plan is limited to 4,108,635 common shares less the number of shares reserved for issuance pursuant to options granted under the 1996 Plan, the 2000 Plan, the 2005 Plan and the 2009 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 2011 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 maximum number of common shares that may be reserved for issuance to any one person under the 2011 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.

LINGO MEDIA CORPORATION

Notes to Condensed Consolidated Interim Financial Statements

March 31, 2017

(Unaudited - See Notice to Reader)

10. SHARE-BASED PAYMENTS (Cont'd)

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 2011 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 2011 Plan or may terminate it at any time. The following summarizes the options outstanding:

The following summarizes the options outstanding:

	Number of Options	Weighted Average Exercise Price
Outstanding as at January 1, 2016	3,602,501	\$ 0.33
Granted	700,000	0.69
Forfeited	-	-
Expired	(957,500)	0.81
Exercised	(63,333)	0.17
Outstanding as at March 31, 2016	3,281,668	0.28
Granted	-	0.47
Expired	-	0.2
Forfeited	(1,000,000)	0.7
Exercised	(235,833)	0.15
Outstanding as at December 31, 2016	2,045,835	0.18
Granted	-	-
Forfeited	-	-
Expired	-	-
Exercised	-	-
Outstanding as at March 31, 2017	2,045,835	\$ 0.18
Options exercisable as at March 31, 2016	2,271,668	\$0.24
Options exercisable as at December 31, 2016	1,820,835	\$0.19
Options exercisable as at March 31, 2017	1,820,835	\$0.19

The weighted average remaining contractual life for the stock options outstanding as at March 31, 2017 was 0.61 years (2016 – 1.7 years, 2015 – 1.21 years). The range of exercise prices for the stock options outstanding as at March 31, 2017 was \$0.14 - \$0.24 (2016 - \$0.13 - \$0.77, 2015 - \$0.13 - \$1.70). The weighted average grant-date fair value of options granted to management, employees, directors and consultants during period has been estimated at \$nil (2015 - \$0.47, 2015 - \$0.07) using the Black-Scholes option-pricing model. The estimated fair value of the options granted is expensed immediately.

The vesting period on the options granted in 2016 was nine months after grant date. In 2015, the vesting periods on the options granted was immediate. In 2014, the vesting periods were as follows, 435,000 stock options vested immediately upon issuance, 445,000 stock options will vest quarterly over 18 months, 410,000 stock options will vest quarterly over 12 months, and 300,000 stock options will vest upon achievements of performance milestones.

LINGO MEDIA CORPORATION

Notes to Condensed Consolidated Interim Financial Statements

March 31, 2017

(Unaudited - See Notice to Reader)

10. SHARE-BASED PAYMENTS (Cont'd)

The pricing model assumes the weighted average risk free interest rates of 0.44% (2015 – 1.21%) weighted average expected dividend yields of Nil (2015 – Nil), the weighted average expected common stock price volatility (based on historical trading) of 78.9% (2015– 79%), a forfeiture rate of zero, a weighted average stock price of \$0.69, a weighted average exercise price of \$0.69, and a weighted average expected life of 3 years (2015 – 3 years), which were estimated based on past experience with options and option contract specifics.

11. WARRANTS

The following summarizes the warrants outstanding:

	Weighted Average Remaining Contractual Life (Years)	Series	Number of Warrants	Weighted Average Exercise Price
Extended	1.18	A	3,658,668	\$ 0.75
Extended	1.36	B	1,875,000	0.75
December 31, 2014			5,533,668	
Issued	0.30		5,000,000	0.125
Exercised			(1,700,000)	0.125
December 31, 2015			8,833,668	0.125
Exercised			(5,711,683)	0.39
Expired			(3,121,985)	0.75
December 31, 2016 and March 31, 2017			-	\$ -

The 3,658,668 Series A warrants issued on March 4, 2011 and the 1,875,000 Series B warrants issued on May 11, 2011 had an expiry date of March 4, 2014 and May 11, 2014 respectively. On February 14, 2014, the warrants were extended to March 4, 2016 and May 11, 2016, respectively. During the year ended December 31, 2016, 600,000 Series A warrants were exercised. The exercise price was \$0.75 with proceeds of \$450,000. During the year ended December 31, 2016, 1,811,683 Series B warrants were exercised. The exercise price was \$0.75 with proceeds of \$1,358,762.

The 5,000,000 warrants issued in 2015 had an expiry date of April 17, 2016. (Note 9 (v)) During the year-ended December 31, 2016, 3,300,000 warrants were exercised. The exercise price was \$0.125 with proceeds of \$412,500.

12. GOVERNMENT GRANTS

Included as a reduction of selling, general and administrative expenses are government grants of \$55,000 (2016 - \$54,365), relating to the Company's publishing and software projects. At the end of the period, \$76,847 (March 31, 2016 - \$70,273) is included in accounts and grants receivable.

LINGO MEDIA CORPORATION

Notes to Condensed Consolidated Interim Financial Statements

March 31, 2017

(Unaudited - See Notice to Reader)

12. GOVERNMENT GRANTS (Cont'd)

One government 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 year, the conditions for the repayment of grants did not arise and no liability was recorded.

One grant, relating to the Company's "Development of Comprehensive, Interactive Phonetic English Learning Solution" project, is repayable semi-annually at a royalty rate of 2.5% per year's gross sales derived from this project until 100% of the grant is repaid.

13. FINANCIAL INSTRUMENTS

Fair values

The carrying value of cash and accounts and grants receivable, approximates its fair value due to the liquidity of these instruments. The carrying value of accounts payables and accrued liabilities and loans payables approximates its fair value due to the requirement to extinguish the liabilities on demand.

Financial risk management objectives and policies

The financial risk arising from the Company's operations are currency risk and liquidity 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.

Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The Company's Management oversees these risks. The Board of Directors reviews and agrees on policies for managing each of these risks.

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 operating activities (when revenue or expense is denominated in a different currency from the Company's functional currency) 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.

A 10% strengthening of the US Dollar against the Canadian Dollar would have increased the net equity approximately by \$158,962 (2016 - \$139,000) due to reduction in the value of net liability balance. A 10% of weakening of the US Dollar against the Canadian Dollar at March 31, 2017 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 March 31, 2017 are as follows:

	US Denominated USD	China Denominated RMB	Euro Denominated Euro
Cash	138,897	-	1,786
Accounts receivable	2,029,759	-	-
Accounts payable	38,450	-	-

LINGO MEDIA CORPORATION

Notes to Condensed Consolidated Interim Financial Statements

March 31, 2017

(Unaudited - See Notice to Reader)

13. FINANCIAL INSTRUMENTS (Cont'd)

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 March 31, 2017, the Company had cash of \$300,042, accounts and grants receivable of \$2,663,280 and prepaid and other receivables of \$338,329 to settle current liabilities of \$899,151.

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 March 31, 2017, the Company has outstanding receivables of \$2,586,433. An allowance for doubtful accounts is taken on accounts receivable if the account has not been collected after a predetermined period of time as determined by the contract and collectability is offset to other operating expenses. The Company deposits its cash with high credit quality financial institutions, with the majority deposited within Canadian Tier 1 Banks.

14. 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.

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 in 2017 or 2016.

15. SEGMENTED INFORMATION

The Company operates two distinct reportable business segments as follows:

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

Online English Language Learning: ELL Technologies is a global web-based educational technology ("EdTech") English language learning training and assessment company. It earns training revenue by developing and hosting online English language learning solutions for its customers, both off the shelf and customized solutions.

LINGO MEDIA CORPORATION

Notes to Condensed Consolidated Interim Financial Statements

March 31, 2017

(Unaudited - See Notice to Reader)

15. SEGMENTED INFORMATION (Cont'd)

Segmented Information (Before Other Financial Items Below)

March 31, 2017	Online English Language Learning	Print-Based English Language Learning	Total
Segmented assets	\$5,938,392	\$1,409,519	\$7,347,911
Segmented liabilities	584,210	314,941	899,151
Segmented revenue	518,787	79,190	597,977
Segmented direct costs	16,049	21,881	37,930
Segmented selling, general & administrative	156,237	75,451	231,688
Segmented intangible amortization	294,272	-	294,272
Segmented profit	52,017	(23,052)	26,779
Segmented intangible addition	874,818	-	874,818

March 31, 2016	Online English Language Learning	Print-Based English Language Learning	Total
Segmented assets	\$ 4,778,413	\$ 1,166,391	\$ 5,944,804
Segmented liabilities	843,061	364,137	1,207,198
Segmented revenue	677,719	79,139	756,858
Segmented direct costs	35,256	22,965	58,221
Segmented selling, general & administrative	155,546	49,155	204,701
Segmented intangible amortization	224,288	-	224,288
Segmented profit	262,263	(6,733)	255,530
Segmented intangible addition	601,716	-	601,716

March 31, 2015	Online English Language Learning	Print-Based English Language Learning	Total
Segmented assets	\$ 1,811,790	\$ 983,511	\$ 2,795,301
Segmented liabilities	579,027	1,296,481	1,875,508
Segmented revenue	606,381	45,246	651,627
Segmented direct costs	38,804	20,475	59,279
Segmented selling, general & administrative	313,247	195,26	508,373
Segmented intangible	180,041	-	180,041
Segmented profit	293,134	(149,880)	143,254
Segmented intangible addition	377,923	-	377,923

LINGO MEDIA CORPORATION

Notes to Condensed Consolidated Interim Financial Statements

March 31, 2017

(Unaudited - See Notice to Reader)

15. SEGMENTED INFORMATION (Cont'd)

Other Financial Items	2017	2016	2015
Online English Language Learning segmented income (loss)	52,017	\$ 235,342	\$ 293,134
Print-Based English Language Learning segmented income (loss)	(23,052)	(25,533)	(149,880)
Foreign exchange	(13,452)	(140,823)	159,743
Interest expense	(9,382)	(18,157)	(48,329)
Share-based payment	-	-	(29,239)
Other comprehensive income (loss)	(218)	60,958	(78,831)
Total Comprehensive Income (Loss)	\$ 3,727	\$ 111,787	\$ 146,598

Revenue by Geographic Region

	2017	2016	2015
Latin America	\$ 482,775	\$ 600,013	\$ 529,617
China	103,296	120,329	106,054
Other	11,906	36,516	15,956
	\$ 597,977	\$ 756,858	\$ 651,627

Identifiable Assets by Geographic Region

	2017	2016	2015
Canada	\$ 7,347,911	\$ 5,897,799	\$ 2,786,395
China	-	1,284	8,906
	\$ 7,347,911	\$ 5,899,083	\$ 2,795,301

16. SUPPLEMENTAL CASH FLOW INFORMATION

	2017	2016	2015
Income taxes and other taxes paid	\$ 5,919	\$ 12,673	\$ 7,151
Interest paid	\$ 9,382	\$ 18,157	\$ 23,178

17. 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) The Company charged \$6,434(2016 - \$5,400, 2015 - \$nil) to two corporations with one director in common for rent, administration, office charges and telecommunications.

LINGO MEDIA CORPORATION

Notes to Condensed Consolidated Interim Financial Statements

March 31, 2017

(Unaudited - See Notice to Reader)

17. RELATED PARTY BALANCES AND TRANSACTIONS (Cont'd)

- (b) Key management compensation was \$82,500 (2016 – \$82,500) and is reflected as consulting fees paid to corporations owned by a director and officers of the Company.
- (c) At March 31, 2017, the Company had loans payable due to two corporations controlled by directors and officers of the Company in the amount of \$nil (2016 - \$480,000) bearing interest at 8% per annum. Interest expense related to these loans is \$4,480 (2016 - \$10,800).

18. SUBSEQUENT EVENT

On April 30, 2017, the Company repaid all loans, including interest.