

BLUERUSH MEDIA GROUP CORP.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
JANUARY 31, 2017
(Presented in Canadian Dollars)
(Unaudited)

BLUERUSH MEDIA GROUP CORP.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

JANUARY 31, 2017

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(Unaudited)

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BLUERUSH MEDIA GROUP CORP.

NOTICE TO READER

Responsibility for Financial Statements

The accompanying unaudited condensed consolidated interim financial statements ("the financial statements") of BlueRush Media Group Corp. (the "Company") as at and for the three and six months ended January 31, 2017 and 2016 have been prepared by the Company's management in accordance with International Financial Reporting Standards applicable to the financial statements (see note 2 to the financial statements). Recognizing that the Company is responsible for both the integrity and objectivity of the financial statements, management is satisfied that these financial statements have been fairly presented.

Auditors' Involvement

Collins Barrow Toronto LLP, the external auditors of the Company, have not audited or performed review procedures applicable to auditor review of these financial statements as at and for the three and six months ended January 31, 2017 and 2016 nor have they conducted any procedures with respect to the supplementary financial schedules herein.

BLUERUSH MEDIA GROUP CORP.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION AS OF (Presented in Canadian Dollars)

	Note	January 31, 2017 (Unaudited)	July 31, 2016 (Audited)
ASSETS			
Current Assets			
Cash		\$ 1,703,145	\$ 2,068,136
Accounts receivable		464,212	733,540
Prepays and other assets		33,436	23,062
Income taxes and investment tax credits recoverable		239,638	412,378
Unbilled revenue	3	23,277	19,513
Total Current Assets		2,463,708	3,256,629
Long Term Assets			
Income taxes and investment tax credits recoverable		530,783	530,783
Equipment	4	34,384	36,123
Intangibles	5	644,005	578,957
Total Long Term Assets		1,209,172	1,145,863
Total Assets		\$ 3,672,880	\$ 4,402,492
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued liabilities	6	\$ 520,257	\$ 686,699
Deferred revenue	3	161,825	203,012
Term loans - current portion	7	124,962	249,900
Total Current Liabilities		807,044	1,139,611
Long Term Liabilities			
Term loans	7	1,053,673	952,386
Deferred taxes		84,660	117,018
Total Long Term Liabilities		1,138,333	1,069,404
Commitments	8		
Equity			
Share capital	9	774,883	774,883
Contributed surplus	9	336,551	336,551
Retained earnings		616,069	1,082,043
Total Equity		1,727,503	2,193,477
Total Liabilities and Equity		\$ 3,672,880	\$ 4,402,492
Approved on Behalf of the Board			
(Signed) - "Larry Lubin", Director		(Signed) - "Jim Moriarty", Director	

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

BLUERUSH MEDIA GROUP CORP.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME FOR THE THREE MONTHS ENDED JANUARY 31 (Presented in Canadian Dollars) (Unaudited)

	Note	2017	2016
REVENUE		\$ 816,505	\$ 988,339
EXPENSES			
Salaries and benefits		643,983	427,458
Consulting fees		235,278	238,907
General and administrative		183,186	112,099
Production costs		95,886	77,939
Professional fees		17,547	22,635
Interest and bank charges		22,138	23,274
Amortization of intangible assets		31,573	7,891
Amortization of equipment		2,479	2,351
Total Expenses		1,232,070	912,554
(LOSS) EARNINGS BEFORE TAXES		(415,565)	75,785
Current income taxes		-	-
Deferred income taxes (recovery)		(18,435)	(11,218)
Total Income Taxes		(18,435)	(11,218)
NET (LOSS) EARNINGS AND COMPREHENSIVE (LOSS) INCOME		\$ (397,130)	\$ 87,003
(LOSS) EARNINGS PER WEIGHTED NUMBER OF SHARES OUTSTANDING - BASIC		\$ (0.012)	\$ 0.003
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING - BASIC		32,593,000	32,593,000
(LOSS) EARNINGS PER WEIGHTED NUMBER OF SHARES OUTSTANDING - DILUTED		\$ (0.012)	\$ 0.003
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING - DILUTED		32,593,000	32,593,000

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

BLUERUSH MEDIA GROUP CORP.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED JANUARY 31 (Presented in Canadian Dollars) (Unaudited)

	Note	2017	2016
REVENUE		\$ 1,788,373	\$ 1,977,643
EXPENSES			
Salaries and benefits		1,171,344	877,381
Consulting fees		464,207	387,786
General and administrative	10	296,148	261,719
Production costs	10	200,574	155,791
Professional fees		60,047	66,733
Interest and bank charges		43,053	47,341
Amortization of intangible assets		46,270	15,781
Amortization of equipment		5,062	4,963
Total Expenses		2,286,705	1,817,495
(LOSS) EARNINGS BEFORE TAXES		(498,332)	160,148
Deferred income taxes		(32,358)	25,557
Total Income Taxes		(32,358)	25,557
NET (LOSS) EARNINGS AND COMPREHENSIVE (LOSS) INCOME		\$ (465,974)	\$ 134,591
(LOSS) EARNINGS PER WEIGHTED NUMBER OF SHARES OUTSTANDING - BASIC		\$ (0.014)	\$ 0.004
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING - BASIC		32,593,000	32,593,000
(LOSS) EARNINGS PER WEIGHTED NUMBER OF SHARES OUTSTANDING - DILUTED		\$ (0.014)	\$ 0.004
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING - DILUTED		32,593,000	32,593,000

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

BLUERUSH MEDIA GROUP CORP.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED JANUARY 31, 2017 and 2016

(Presented in Canadian Dollars)

(Unaudited)

	Common Shares	Share Capital	Contributed Surplus	Retained Earnings	Total Equity
Balance - August 1, 2015	32,593,000 \$	774,883 \$	336,551 \$	1,264,346 \$	2,375,780
Net earnings	-	-	-	134,591	134,591
Stock-based compensation	-	-	15,781	-	15,781
Balance - January 31, 2016	32,593,000 \$	774,883 \$	352,332 \$	1,398,937 \$	2,526,152
Balance - August 1, 2016	32,593,000	774,883	336,551	1,082,043	2,193,477
Net earnings	-	-	-	(465,974)	(465,974)
Balance - January 31, 2017	32,593,000 \$	774,883 \$	336,551 \$	616,069 \$	1,727,503

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

BLUERUSH MEDIA GROUP CORP.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS FOR THE SIX MONTHS ENDED JANUARY 31 (Presented in Canadian Dollars) (Unaudited)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss) earnings	\$ (465,974)	\$ 134,591
Items not requiring an outlay of cash:		
Amortization of equipment	5,062	4,963
Amortization of intangibles	46,270	15,781
Unrealized gain on foreign exchange	6,672	(56,959)
Interest accretion on term loans	3,311	3,311
Deferred income taxes	(32,358)	25,557
Changes in non-cash working capital:		
Accounts receivable	269,088	(33,702)
Prepays and other assets	(10,374)	1,340
Work in process	-	(169)
Unbilled revenue	(3,764)	(6,465)
Income taxes and investment tax credits recoverable	172,740	131,709
Accounts payable and accrued liabilities	(166,967)	51,166
Deferred revenue	(41,187)	207,276
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES		
	(217,481)	478,399
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from term loan	98,000	-
Repayment of term loans	(124,963)	-
NET CASH USED IN FINANCING ACTIVITIES		
	(26,963)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures to develop internally generated intangible assets	(111,318)	(379,120)
Expenditures recovered to develop internally generated intangible assets	-	239,610
Purchase of equipment	(3,323)	(1,799)
NET CASH USED IN INVESTING ACTIVITIES		
	(114,641)	(141,309)
EFFECT OF EXCHANGE RATE CHANGES ON CASH		
	(5,906)	57,996
NET (DECREASE) INCREASE IN CASH		
	(364,991)	395,086
CASH, BEGINNING OF YEAR		
	2,068,136	2,121,550
CASH, END OF YEAR		
	\$ 1,703,145	\$ 2,516,636
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest paid	\$ 39,743	\$ 44,030
Income taxes paid	\$ -	\$ -

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

BLUERUSH MEDIA GROUP CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JANUARY 31, 2017 AND 2016

(Presented in Canadian Dollars)

(Unaudited)

I. NATURE OF BUSINESS

BlueRush Media Group Corp. ("BlueRush" or the "Company") is a digital marketing company which combines leading edge technology with award winning creative television production. The Company was incorporated on April 6, 2004 in the Province of Ontario. BlueRush is listed on the TSX Venture Exchange under the symbol "BTV" and is headquartered at 75 Sherbourne Street in Toronto, Canada.

2. BASIS OF PREPARATION

Statement of Compliance

These condensed consolidated interim financial statements ("financial statements") have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB").

These financial statements should be read in conjunction with the Company's 2016 annual financial statements.

These financial statements were authorized by the Board of Directors on March 31, 2017.

Basis of Measurement

These consolidated financial statements have been prepared on the historical cost basis except for financial instruments classified as fair value through profit or loss, which are stated at fair value.

Functional and Presentation Currency

The functional and presentation currency of the Company and its subsidiary is the Canadian dollar.

Basis of Consolidation

These consolidated financial statements include the accounts of BlueRush and its wholly-owned subsidiary, BlueRush Digital Media Corp. All intercompany accounts and transactions have been eliminated on consolidation.

BLUERUSH MEDIA GROUP CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JANUARY 31, 2017 AND 2016 (Presented in Canadian Dollars) (Unaudited)

3. CONTRACT COSTS AND REVENUES

	Six months ended January 31, 2017	Six months ended January 31, 2016
Costs incurred on contracts in progress	\$ 363,165	\$ 371,721
Profits recognized on contracts in progress	320,076	515,205
Progress billings	(821,789)	(1,433,074)
	(138,548)	(546,148)
Work in process	-	169
Unbilled revenue	23,277	8,534
Deferred revenue	\$ (161,825)	\$ (554,851)

4. EQUIPMENT

The components of equipment are as follows as of January 31, 2017:

Cost	Furniture and Fixtures	Computer Equipment	Total
Opening balance - August 1, 2016	\$ 69,681	\$ 109,170	\$ 178,851
Additions	-	3,323	3,323
Disposals	-	-	-
Closing balance - January 31, 2017	\$ 69,681	\$ 112,493	\$ 182,174

Accumulated Amortization	Furniture and Fixtures	Computer Equipment	Total
Opening balance - August 1, 2016	\$ 57,645	\$ 85,083	\$ 142,728
Amortization	1,174	3,888	5,062
Closing balance - January 31, 2017	\$ 58,819	\$ 88,971	\$ 147,790

BLUERUSH MEDIA GROUP CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JANUARY 31, 2017 AND 2016 (Presented in Canadian Dollars) (Unaudited)

4. EQUIPMENT (Continued)

Carrying Value	Furniture and Fixtures	Computer Equipment	Total
Balance - August 1, 2016	\$ 12,036	\$ 24,087	\$ 36,123
Balance - January 31, 2017	\$ 10,862	\$ 23,522	\$ 34,384

5. INTANGIBLES

The components of internally generated intangible assets are as follows as of January 31, 2017:

Cost	Available for Use	Under Development	Total
Opening balance - August 1, 2016	\$ 293,934	\$ 337,528	\$ 631,462
Additions	-	111,318	111,318
Intangibles available for use	448,846	(448,846)	-
Closing balance - January 31, 2017	\$ 742,780	\$ -	\$ 742,780

Accumulated Amortization			
Opening balance - August 1, 2016	\$ 52,505	\$ -	\$ 52,505
Amortization	46,270	-	46,270
Closing balance - January 31, 2017	\$ 98,775	\$ -	\$ 98,775

Carrying Value			
Balance - August 1, 2016	\$ 241,429	\$ 337,528	\$ 578,957
Balance - January 31, 2017	\$ 644,005		\$ 644,005

BLUERUSH MEDIA GROUP CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JANUARY 31, 2017 AND 2016 (Presented in Canadian Dollars) (Unaudited)

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are as follows:

	January 31, 2017	July 31, 2016
Trade accounts payable	\$ 66,795	\$ 115,389
Accrued liabilities	114,078	157,883
Accrued vacation pay and other employee benefits	113,666	113,566
Government remittances payable	22,193	43,266
Customer deposits	203,525	256,595
	\$ 520,257	\$ 686,699

7. TERM LOANS

	January 31, 2017	July 31, 2016
Investissement Quebec (i)	\$ 883,331	\$ 983,333
Business Development Bank of Canada (ii)	320,480	245,440
Transaction costs	(25,176)	(26,487)
	1,178,635	1,202,286
Current portion	(124,962)	(249,900)
	\$ 1,053,673	\$ 952,386

- (i) In June and July 2015 the Company received a term loan from Investissement Quebec ("IQ") in the amount of \$1,000,000 to fund working capital needs. The term loan is interest-bearing at prime rate plus 3.15% per annum. Interest only payments are required until June 2016 (12 months), thereafter monthly principal payments of \$16,665 plus interest are due until May 2021 (59 months), with the final payment of \$16,765 due June 2021. The loan is secured by a universal mortgage on all present and future assets, including a first ranking on tax credits. Two current directors / officers of the Company have personally guaranteed \$100,000 of the loan.

BLUERUSH MEDIA GROUP CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JANUARY 31, 2017 AND 2016 (Presented in Canadian Dollars) (Unaudited)

7. TERM LOANS (Continued)

- (ii) In July 2015, the Company received a term loan from the Business Development Bank of Canada ("BDC") in the amount of \$250,000 to fund working capital needs. The term loan is interest-bearing at BDC's Floating Base Rate plus 2.5% per annum. The first monthly principal payment of \$4,560 plus interest is due July 2016, thereafter monthly principal payments of \$4,160 plus interest are due until June 2021 (59 months). Two current directors / officers of the Company have personally guaranteed 64% of the outstanding balance of the loan, and the Company has guaranteed the full amount of the outstanding commitment of the loan.
- (iii) In October 2016, the Company received a term loan from BDC in the amount of \$100,000 to fund working capital needs. The term loan is interest-bearing at BDC's Floating Base Rate plus 2.5% per annum. The first monthly principal payment of \$2,060 plus interest is due September 2017, thereafter monthly principal payments of \$1,660 plus interest are due until August 2022 (59 months). Two current directors / officers of the Company have personally guaranteed 64% of the outstanding balance of the loan, and the Company has guaranteed the full amount of the outstanding commitment of the loan. Transaction costs of \$2,000 have been deducted from the proceeds of this loan.

Principal scheduled repayments under the term loans are due as follows:

2017 (Six months)	\$	124,962
2018		268,584
2019		269,844
2020		269,844
2021		248,997
Thereafter		21,580
	\$	1,203,811

8. COMMITMENTS

The Company has the following lease commitments for premises:

Less than one year	\$	67,847
Two to five years		160,256
More than five years		-
	\$	228,103

BLUERUSH MEDIA GROUP CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JANUARY 31, 2017 AND 2016 (Presented in Canadian Dollars) (Unaudited)

9.SHARE CAPITAL

The Company has authorized an unlimited number of common shares and has 32,593,000 common shares issued and outstanding as at January 31, 2017 and July 31, 2016.

Stock Option Plan

A summary of the status of the Company's stock options as at January 31, 2017 and changes during the six months then ended is presented below:

	Number of Options	Weighted Average Exercise Price
Outstanding - beginning of period	1,875,000	\$ 0.15
Granted	-	-
Exercised	-	-
Forfeited/cancelled/expired	-	-
Outstanding - end of period	1,875,000	\$ 0.15
Exercisable - end of period	1,875,000	\$ 0.15

The weighted average remaining contractual life of stock options as of January 31, 2017 is 5.27 years (July 31, 2016 - 5.78 years).

The Company had the following stock options outstanding as of January 31, 2017:

Number of Options Outstanding	Exercise Price \$	Expiry Date
1,875,000	0.15	May 10, 2022

BLUERUSH MEDIA GROUP CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JANUARY 31, 2017 AND 2016

(Presented in Canadian Dollars)

(Unaudited)

10. EXPENSES BY NATURE

General and Administrative Expenses

The components of general and administrative expenses for the six months ended January 31 are as follows:

	2017	2016
Rent and occupancy costs	\$ 103,260	\$ 100,091
Advertising and promotion	52,999	43,980
Travel	52,972	52,966
Telecommunications	21,095	18,490
Other expenses	20,287	32,146
Computer and software	18,364	28,788
Meals and entertainment	14,017	14,967
Insurance	8,929	11,763
Foreign exchange loss (gain)	1,903	(62,272)
Stock exchange fees	1,706	5,238
Training and recruitment	616	15,562
	\$ 296,148	\$ 261,719

Production Costs

The components of production costs for the six months ended January 31 are as follows:

	2017	2016
Hosting	\$ 92,808	\$ 89,864
Camera and teleprompter	27,462	24,416
Talent	830	3,214
Other production costs	79,474	38,297
	\$ 200,574	\$ 155,791

BLUERUSH MEDIA GROUP CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JANUARY 31, 2017 AND 2016 (Presented in Canadian Dollars) (Unaudited)

11. RELATED PARTY TRANSACTIONS

All transactions with related parties have occurred in the normal course of operations and are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The Company's related party transactions for the six months ended January 31, 2017 were only compensation to key management personnel.

Key management personnel are defined as those individuals having authority and responsibility for planning, directing and controlling the activities of the Company. Included in salaries and benefits expense for the three and six months ended January 31, 2017 is \$105,212 and \$221,441, respectively (three and six months ended January 31, 2016 - \$99,212 and \$208,500, respectively) for compensation paid to key management personnel.

12. FINANCIAL INSTRUMENTS

Credit Risk

BlueRush is exposed to credit risk on its trade accounts receivable. Credit risk is minimized by ensuring the credit worthiness of the entities with which it carries on business. The Company's clients predominantly consist of financial institutions and large public companies, many of whom are repeat clients and have long term relationships with the Company. Management regularly reviews the credit terms and collectability of accounts.

An analysis of the credit quality of the Company's trade receivables is as follows:

	January 31, 2017	July 31, 2016
Current	\$ 330,585	\$ 385,300
Past due less than 90 days	59,637	337,429
Past due greater than 90 days	73,990	10,811
Less: Allowance for doubtful accounts	-	-
	\$ 464,212	\$ 733,540

BLUERUSH MEDIA GROUP CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JANUARY 31, 2017 AND 2016

(Presented in Canadian Dollars)

(Unaudited)

12. FINANCIAL INSTRUMENTS (Continued)

Liquidity Risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they become due. The Company is exposed to liquidity risk on accounts payable to its suppliers, which arise in the normal course of operations and are due in less than one year, on its bank overdraft which is due on demand and its term loans which are repayable in 60 monthly instalments of approximately \$16,665 and \$4,160 beginning in July 2016. The Company manages liquidity risk by continuously monitoring actual and forecasted cash flows and budgets on all contracts, while maintaining adequate working capital on hand to meet its future obligations. As of January 31, 2017, the Company had cash on hand of \$1,703,145 and accounts receivable of \$464,212 to meet working capital requirements.

Management expects that its capital resources will be sufficient to fund its ongoing liabilities as they come due.

Market Risk

The Company is exposed to risks from changes in foreign exchange rates and interest rates that affect its financial liabilities, financial assets and future transactions.

Currency Risk

Foreign currency risk arises from fluctuations in foreign exchange rates and the degree of volatility of these rates relative to the Canadian dollar. Consequently, some assets, liabilities, revenues and purchases are exposed to foreign exchange fluctuations. As at January 31, 2017, cash, accounts receivable and accounts payable of \$857,828, \$67,400 and \$3,833 (July 31, 2016 - \$700,595, \$66,340 and \$Nil), respectively, are shown in US dollars and converted into Canadian dollars at the period end exchange rate of 1.303 (July 31, 2016 - 1.3041). For the six months ended January 31, 2017, the Company recognized a loss on foreign exchange of \$1,903 (2016 - gain of \$61,272) as a result of the depreciation / appreciation of the US dollar. The potential effect of a 5% increase or decrease in US currency held by the Company would result in an increase or decrease in net earnings of approximately \$46,000.

Interest Rate Risk

Interest rate risk is the risk that fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk arising from fluctuations in interest rates on its credit facility and term loans.

Sensitivity Analysis

As at January 31, 2017, the carrying value and fair value amounts of the Company's financial instruments are approximately the same. The Company does not believe there would be any material movements as a result of changes in interest rates or foreign exchange rates.

BLUERUSH MEDIA GROUP CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JANUARY 31, 2017 AND 2016

(Presented in Canadian Dollars)

(Unaudited)

12. FINANCIAL INSTRUMENTS (Continued)

Fair Value Hierarchy

Financial instruments measured at fair value on the statement of financial position are categorized into levels of the fair value hierarchy. The Company only has one financial instrument measured at fair value, cash, which is categorized into Level 1. The fair value of Level 1 financial instruments is based on quoted market prices.