BLUERUSH INC.

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2019 AND 2018
(Presented in Canadian Dollars)

BLUERUSH INC.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JULY 31, 2019 AND 2018

CONTENTS

Independent Auditor's Report

To the Shareholders of BlueRush Inc.:

Opinion

We have audited the consolidated financial statements of BlueRush Inc. and its subsidiary (the "Company"), which comprise the consolidated statement of financial position as at July 31, 2019, and the consolidated statements of loss and comprehensive loss, changes in equity (deficit) and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at July 31, 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The consolidated financial statements of the Company for the year ended July 31, 2018 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on November 27, 2018.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Saad Shaikh.

MNP LLP

Toronto, Ontario
November 20, 2019

Chartered Professional Accountants
Licensed Public Accountants

MNP

BLUERUSH INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JULY 31, 2019 AND 2018
(Presented in Canadian Dollars)

	Note	2019	2018
ASSETS			
Current Assets			
Cash		$ 887,833	$ 787,830
Short term investments	3	34,296	-
Accounts receivable		455,312	408,827
Prepaids and other assets		34,291	33,449
Investment tax credits refundable	17	248,777	398,032
Unbilled revenue		29,666	11,640
Work in process		2,591	-
Total Current Assets		1,692,766	1,639,778
Non-Current Assets			
Equipment	4	60,388	44,731
Intangibles	5	237,687	351,547
Total Assets		$ 1,990,841	$ 2,036,056
LIABILITIES AND (DEFICIT) EQUITY			
Current Liabilities			
Accounts payable and accrued liabilities	6	$ 757,008	$ 668,711
Short term debt	7	284,020	-
Contract liabilities	8	1,493,227	350,503
Term loans - current portion	9	410,921	653,165
Total Current Liabilities		2,945,176	1,672,379
Non-Current Liabilities			
Term loans	9	144,219	142,256
Convertible debentures	10	1,693,191	-
Deferred tax liabilities	17	94,051	94,196
Total Liabilities		4,876,637	1,908,831
Commitments	11		
(Deficit) Equity			
Share capital		2,804,938	2,737,973
Contributed surplus		2,054,753	1,293,813
Deficit		(7,745,487)	(3,904,561)
Total (Deficit) Equity		(2,885,796)	127,225
Total Liabilities and Equity		$ 1,990,841	$ 2,036,056

Approved on Behalf of the Board

(Signed) - "*Larry Lubin*", Director

(Signed) - "*Paul Smith*", Director

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

BLUERUSH INC.

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE YEARS ENDED JULY 31, 2019 AND 2018
(Presented in Canadian Dollars)

	Note	2019	2018
REVENUE			
Subscriptions and support		$ 1,378,012	$ 1,043,581
Services		2,227,362	1,978,408
Interest		25,678	13,421
		3,631,052	3,035,410
COST OF SALES			
Subscriptions and support	15	360,727	410,297
Services	15	1,316,500	1,114,732
		1,677,227	1,525,029
GROSS PROFIT		1,953,825	1,510,381
EXPENSES			
Sales and marketing	15	2,310,421	1,616,482
General and administrative	15	1,805,618	1,138,832
Research and development	15	1,024,879	961,351
Interest and bank charges		293,068	76,934
Restructuring costs	16	-	103,847
Share-based payments	13	351,118	800,091
Amortization of intangible assets	5	113,860	183,731
Depreciation of equipment	4	16,175	10,761
Total Expenses		5,915,139	4,892,029
LOSS BEFORE TAXES		(3,961,314)	(3,381,648)
Deferred income taxes (recovery)	17	(120,388)	(31,717)
NET LOSS AND COMPREHENSIVE LOSS		$ (3,840,926)	$ (3,349,931)
LOSS PER WEIGHTED NUMBER OF SHARES OUTSTANDING - BASIC AND DILUTED		$ (0.05)	$ (0.06)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING - BASIC AND DILUTED		75,015,289	55,131,088

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

BLUERUSH INC.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIT)
FOR THE YEARS ENDED JULY 31, 2019 AND 2018
(Presented in Canadian Dollars)

	Note	Common Shares	Share Capital	Contributed Surplus	Retained Earnings (Deficit)	Total Equity (Deficit)
Balance - August 1, 2017		32,593,000	$ 774,883	$ 336,551	$ (554,630)	$ 556,804
Common shares and warrants issued in private placement	12	24,444,433	1,300,000	-	-	1,300,000
Warrants reallocation	12, 14	-	(544,444)	544,444	-	-
Exercise of warrants	12, 14	16,974,881	1,244,022	(350,176)	-	893,846
Transaction costs	12	-	(36,488)	(37,097)	-	(73,585)
Share-based payments	13	-	-	800,091	-	800,091
Net loss		-	-	-	(3,349,931)	(3,349,931)
Balance - July 31, 2018		74,012,314	$ 2,737,973	$ 1,293,813	$ (3,904,561)	$ 127,225
Exercise of warrants	12, 14	1,709,619	88,007	(1,030)	-	86,977
Common shares to be issued	12	(470,085)	-	-	-	-
Transaction costs	12	-	(21,042)	-	-	(21,042)
Equity portion of convertible debentures	10	-	-	380,104	-	380,104
Transaction costs related to convertible debentures	10	-	-	(8,502)	-	(8,502)
Warrants issued for services and settlement of accounts payable	14	-	-	39,250	-	39,250
Share-based payments	13	-	-	351,118	-	351,118
Net loss		-	-	-	(3,840,926)	(3,840,926)
Balance - July 31, 2019		75,251,848	$ 2,804,938	$ 2,054,753	$ (7,745,487)	$ (2,885,796)

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

BLUERUSH INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JULY 31, 2019 AND 2018
(Presented in Canadian Dollars)

	Note	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss		$ (3,840,926)	$ (3,349,931)
Items not requiring an outlay of cash:			
Depreciation of equipment	4	16,175	10,761
Amortization of intangibles	5	113,860	183,731
Share-based payments	13	351,118	800,091
Accretion and accrued interest		225,537	7,022
Unrealized gain on foreign exchange		(5,646)	(18,882)
Deferred income taxes	17	(120,388)	(31,717)
Changes in non-cash working capital:			
Accounts receivable		(46,485)	223,579
Prepaids and other assets		(842)	(5,424)
Work in process		(2,591)	5,984
Unbilled revenue		(18,026)	19,045
Investment tax credits refundable		149,255	(170,136)
Accounts payable and accrued liabilities		127,547	76,782
Contract liabilities		1,142,724	186,256
NET CASH USED IN OPERATING ACTIVITIES		(1,908,688)	(2,062,839)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short term debt		284,020	-
Proceeds from common shares issued in private placement, net of transaction costs and warrants exercised		65,935	2,120,261
Proceeds from convertible debentures, net of transaction costs		1,966,014	-
Repayment of term loans		(247,302)	(268,584)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		2,068,667	1,851,677
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of short term investments		(33,790)	-
Purchase of equipment		(31,832)	(25,563)
NET CASH USED IN INVESTING ACTIVITIES		(65,622)	(25,563)
NET INCREASE (DECREASE) IN CASH		94,357	(236,725)
EFFECT OF EXCHANGE RATE CHANGES ON CASH		5,646	19,172
CASH, BEGINNING OF YEAR		787,830	1,005,383
CASH, END OF YEAR		$ 887,833	$ 787,830
SUPPLEMENTAL CASH FLOW INFORMATION:			
Interest paid		$ 67,531	$ 69,912
Income taxes paid		$ -	$ -
Warrants issued for services and settlement of accounts payable		$ 39,250	$ -

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

1. NATURE OF BUSINESS

BlueRush Inc. ("BlueRush" or the "Company"), through its wholly owned subsidiary, BlueRush Digital Media Corp., offers a Software as a Service ("SaaS") based marketing and sales enablement platform that enables organizations to achieve greater engagement with their customers. The Company was incorporated on April 6, 2004 in the Province of Ontario. The Company is listed on the TSX Venture Exchange under the symbol "BTV" and is headquartered at 75 Sherbourne Street in Toronto, Canada. On April 27, 2018, the Company changed its name from BlueRush Media Group Corp. to BlueRush Inc.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance and Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

The Board of Directors approved these consolidated financial statements for issue on November 19, 2019.

These audited consolidated financial statements were prepared using the same basis of presentation, accounting policies and methods of computation as those of the audited consolidated financial statements for the year ended July 31, 2018, except for the adoption of IFRS 15 - “Revenue from Contracts with Customers” (“IFRS 15”) and IFRS 9 - “Financial Instruments” (“IFRS 9”) which have been applied as of August 1, 2018.

The changes in accounting policies from those used in the Company’s consolidated financial statements for the year ended July 31, 2018 are described below.

Accounting standards implemented as of August 1, 2018

The Company adopted the following accounting standards which came into effect commencing August 1, 2018:

(i) IFRS 15, Revenue from Contracts with Customers

The Company has adopted IFRS 15 with an initial application date of August 1, 2018. The impact on the Company’s consolidated financial statements and additional disclosures are detailed as follows:

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting standards implemented as of August 1, 2018 (Continued)

(i) IFRS 15, Revenue from Contracts with Customers (Continued)

IFRS 15 outlines a single comprehensive model to account for revenue arising from contracts with customers and replaced the majority of existing IFRS requirements on revenue recognition including IAS 18, Revenue, IAS 11, Construction Contracts and related interpretations. The core principle of the standard is to recognize revenue to depict the transfer of control of goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The standard has prescribed a five-step model to apply the principles. The standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract as well as requiring more informative and relevant disclosures. In April 2016, the IASB issued amendments to IFRS 15, which provided additional guidance on the identification of performance obligations, on assessing principal versus agent considerations and on licensing revenue.

The amendments also provide additional transition relief upon initial adoption of IFRS 15 and have the same effective date as the IFRS 15 standard.

The Company has adopted IFRS 15 Revenue from Contracts with Customers with an initial adoption date of August 1, 2018. The Company utilized the modified retrospective method to adopt the new standard and therefore, the comparative information has not been restated and continues to be reported under IAS 18 and IAS 11. In its adoption of IFRS 15, the Company applied a practical expedient that allows the Company to avoid re-considering the accounting for any sales contracts that were completed prior to August 1, 2018 and were previously accounted for under IAS 11 and IAS 18. There was no material impact on the Company's net loss and financial position resulting from the adoption of IFRS 15 and there was no effect to the opening deficit from the application of IFRS 15 to revenue contracts in progress at August 1, 2018.

Contracts with multiple products or services

Typically, the Company enters into contracts that contain multiple products and services such as right to use and right to access software licenses, hosted software-as-a-service, maintenance and support, and professional services. The Company evaluates these arrangements to determine the appropriate unit of accounting (performance obligation) for revenue recognition purposes based on whether the product or service is distinct from some or all of the other products or services in the arrangement. A product or service is distinct if the customer can benefit from it on its own or together with other readily available resources and the Company's promise to transfer the good or service is separately identifiable from other promises in the contractual arrangement with the customer. Non-distinct products and services are combined with other goods or services until they are distinct as a bundle and therefore form a single performance obligation.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting standards implemented as of August 1, 2018 (Continued)

(i) IFRS 15, Revenue from Contracts with Customers (Continued)

Where a contract consists of more than one performance obligation, revenue is allocated to each performance obligation based on their estimated standalone selling price ("SSP").

The Company recognizes revenue when the transfer of control of the promised products or services has occurred to customers in exchange for consideration the Company expects to receive, net of discounts and taxes. Revenue from the sale of software products is recognized when the product is shipped and received by the customer, and depending on the delivery conditions, title and risk have passed to the customer. Revenues from installation and training relating to the sale of software products are recognized as the services are performed. Software support and maintenance revenue is recognized over the term of the maintenance agreement. Revenues from the Company's hosted software-as-a-service ("SaaS") application are recognized as services are provided. The Company defers revenues that have been billed but which do not meet the revenue recognition criteria. Cash received in advance of revenue being recognized is classified as contract liabilities.

The Company recognizes an asset for the incremental costs of obtaining a contract with a customer if it expects the costs to be recoverable and has determined that such costs meet the requirements to be capitalized. Capitalized contract acquisition costs are amortized consistent with the pattern of transfer to the customer for the goods and services to which the asset relates. The amortization period includes specifically identifiable contract renewals where there is no substantive commission paid on renewals. The expected customer renewal period is estimated based over the life of the intellectual property including expected software upgrades by the customer. The Company does not capitalize incremental costs of obtaining contracts if the amortization period is one year or less.

(ii) IFRS 9, Financial Instruments

The Company has adopted IFRS 9 with a date of initial application of August 1, 2018. IFRS 9 introduces new requirements for the classification and measurement of financial assets, amends the requirements related to hedge accounting, and introduces a forward-looking expected loss impairment model.

The standard contains three classifications categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). The classification of financial assets under IFRS 9 is based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9 and the adoption of IFRS 9 did not change the Company's accounting policies for financial liabilities.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting standards implemented as of August 1, 2018 (Continued)

(ii) IFRS 9, Financial Instruments (Continued)

The classification changes for each class of the Company's financial assets and financial liabilities upon adoption at August 1, 2018 is as follows:

Financial Instrument	Classification Under IAS 39	Classification Under IFRS 9
Cash	Loans and receivables	Amortized cost
Accounts receivable	Loans and receivables	Amortized cost
Investment tax credits refundable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Term loans	Other financial liabilities	Amortized cost

As a result of the adoption of IFRS 9, the Company's accounting policies for financial instruments have been updated and applied from August 1, 2018 and in accordance with the transitional provisions in IFRS 9, comparative figures have not been restated.

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 in full on consolidation.

Foreign Currency Transactions

Transactions in foreign currencies are initially recorded in the Company's functional currency by applying the exchange rates in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange in effect at the statement of financial position date and any gains or losses are recognized in the consolidated statement of loss and comprehensive loss.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible Assets

Expenditures related to research activities are recognized as an expense in the period in which they are incurred. An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, the entity can demonstrate all of the following:

(a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;

(b) its intention to complete the intangible asset and use or sell it;

(c) its ability to use or sell the intangible asset;

(d) how the intangible asset will generate probable future economic benefits. Among other things, the Company can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;

(e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

(f) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Development costs are capitalized once the above criteria are met. Where no internally generated intangible asset can be recognized, development expenditures are expensed in the period in which they are incurred. Expenditures recovered related to internally developed intangible assets are deducted from the capitalized development costs in the period in which they are recovered.

After initial recognition, internally generated intangible assets are carried at cost less accumulated amortization and any accumulated impairment losses. Once an internally generated intangible asset becomes available for use, expenditures are no longer capitalized to the intangible. Internally generated intangible assets that are available for use are amortized on a straight-line basis over their estimated useful life of five years, and an impairment loss is recognized in profit or loss when their recoverable amount is less than their net carrying amount. Internally generated intangible assets that are under development are not amortized and are reviewed for impairment annually by comparing the carrying amount with its recoverable amount. An impairment loss is recognized in profit or loss when the recoverable amount is less than the net carrying amount.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

Leases are classified as operating leases when the Company does not receive / take on substantially all the risks and rewards incidental to ownership. Lease payments under these operating leases are recognized on a straight-line basis over the lease term.

Operating lease payments (less any incentive from the lessor) are expensed on a straight-line over the lease term.

Share-Based Payments

The Company operates a stock option plan as part of its compensation of directors, officers or employees. The fair value of stock options for each vesting period is determined using the Black-Scholes option pricing model and is recorded over the vesting period as an increase in stock-based compensation expense and contributed surplus. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest. Upon the exercise of stock options, the proceeds received by the Company and the related contributed surplus are recorded as an increase in capital stock. In the event that the vested stock options expire, previously recognized stock-based compensation is not reversed. In the event that stock options are forfeited, previously recognized stock-based compensation associated with the unvested portion of the stock options forfeited is reversed.

The fair value of share-based payment transactions to non-employees and other share-based payments are based on the fair value of the goods or services received. If the fair value cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the Company receives the good or services.

Revenue Recognition

The Company generates revenue from two sources: (1) subscription revenues, which are comprised of subscription fees from customers accessing the Company's SaaS based marketing and sales enablement platforms, and (2) professional services, including technological, graphical and consultative services related to the creation of rich media marketing solutions. Revenue is recognized when the promised services are transferred to customers, in an amount that reflects the consideration allocated to the respective performance obligation. If the consideration promised in a contract includes a variable amount, for example, fees for excess bandwidth usage, contingent fees or service level penalties, the Company includes an estimate of the amount it expects to receive for the total transaction price if it is probable that a significant reversal of cumulative revenue recognized will not occur.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

The Company determines the amount of revenue to be recognized through application of the following five-step process:

i) Identification of the contract, or contracts with a customer;
ii) Identification of the performance obligations in the contract;
iii) Determination of the transaction price;
iv) Allocation of the transaction price to the performance obligations in the contract; and
v) Recognition of revenue when or as the Company satisfies the performance obligations.

Subscriptions

The Company offers a SaaS based marketing and sales enablement platform, which includes the development of personalized videos, delivery of in-depth customer analytics and conversion metrics and the provision of maintenance and support services over a defined term. Customers are offered a license to access the Company's platform and are billed on a subscription basis. Revenue is recognized when the promised services are transferred to customers, in an amount that reflects the consideration allocated to the respective performance obligation. Revenue related to services billed on a subscription basis is recognized ratably over the contract period.

Professional services

The Company generates revenue from the creation of rich media marketing solutions. Each project requires a technological, graphical and consultative component. Professional services revenue is recognized on the basis of costs incurred relative to the total expected cost to satisfy the performance obligation (the "percentage of completion method"). The timing of revenue recognition may differ from contract payment schedules, resulting in revenue that has been earned but not billed. These amounts are included in unbilled revenue. Amounts billed in accordance with customer contracts, but not yet earned, are recorded and presented as part of deferred revenue.

Interest

Interest income is accounted for on an accrual basis using the effective interest method.

Contract Costs

The Company recognizes an asset for the incremental costs of obtaining a contract with a customer if the Company expects to recover those costs.

Contract costs recognized as an asset are amortized ratably over the contract period, consistent with the transfer to the customer of the services to which the asset relates.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contract Costs (Continued)

As a practical expedient, the Company recognizes the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the Company otherwise would have recognized is one year or less.

Trade Accounts Receivable

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost less provision for impairment of trade accounts receivable. A provision for impairment of trade accounts receivable is established based on a forward-looking "expected loss" impairment model. The carrying amount of the trade receivables is reduced through the use of the provision for impairment account, and the amount of any increase in the provision for impairment is recognized in the consolidated statement of operations and comprehensive loss. When a trade receivable is uncollectible, it is written off against the provision for impairment account for trade accounts receivable. Subsequent recoveries of amounts previously written off are credited to the consolidated statement of loss and comprehensive loss.

Convertible Debentures

The Company's convertible debentures are segregated into their debt and equity components or derivative liability components at the date of issue, in accordance with the substance of the contractual agreements.

The conversion feature of the convertible debentures is presumed to be classified as a derivative financial liability unless it meets all the criteria to recognize as equity instrument under IAS 32, Financial Instruments: Presentation. One of the criteria is that the conversion option exchanges a fixed number of shares for a fixed amount of cash ("fixed for fixed").

If the conversion feature meets the fixed for fixed criteria, the conversion option will be classified as equity components. Equity instruments are instruments that evidence a residual interest in the assets of an entity after deducting all of its liabilities. Therefore, when the initial carrying amount of the convertible debentures is allocated to its equity and liability components, the equity component is assigned the residual amount after deducting from the fair value of the instrument, as a whole, the amount separately determined for the liability component. The sum of the carrying amounts assigned to the liability and equity components on initial recognition is always equal to the fair value that would be ascribed to the instrument as a whole. No gain or loss arises from initially recognizing the components of the instrument separately.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Convertible Debentures (Continued)

If the conversion feature does not meet the fixed for fixed criteria, the conversion option will be recorded as a derivative financial liability, which must be separately accounted for at fair value on initial recognition. The carrying amount of the debt component, on initial recognition, is recalculated as the difference between the proceeds of the convertible debentures, as a whole, and the fair value of the derivative financial liabilities. Subsequent to initial recognition, the derivative financial liability is remeasured at fair value at the end of each reporting period with changes in fair value recognized in the statement of operation for each reporting period, while the debt component is accreted to the face value of the debt using the effective interest method.

Transaction costs are allocated to the debt and equity components or derivative liability components in proportion to the allocation of the proceeds on initial recognition. Transaction costs allocated to equity components will be accounted for as a deduction from equity, net of any related income tax benefit; cost allocated to the derivative financial liability component are expensed; and cost allocated to the debt component are offset against the carrying amount of the liability and included in the determination of the effective interest rate.

Earnings (Loss) Per Share

Basic earnings (loss) per common share is determined by dividing net earnings (loss) attributable to common shareholders by the weighted average number of common shares outstanding during the year. Diluted earnings per common share is calculated by adjusting the the weighted average number of shares outstanding, adjusted for any of its own shares held, for the effects of all dilutive potential common shares, which are comprised of outstanding warrants and vested stock options. Diluted earnings (loss) per common share assumes that any proceeds received from in-the-money options and warrants would be used to buy common shares at the average market price for the period.

Equipment

Equipment is recorded at cost and is depreciated over its estimated useful lives, at the following annual rates and methods:

Computer equipment	30% declining balance
Furniture and fixtures	20% declining balance

Impairment of Long-Lived Assets

At the end of each reporting date, the carrying amounts of the Company's long-lived assets, which are comprised of equipment and internally generated intangible assets that are available for use, are reviewed to determine whether there is any indication that those assets may be impaired. If such impairment exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of Long-Lived Assets (Continued)

The carrying amount of the Company's internally generated intangible assets that are under development are required to be reviewed for impairment annually by comparing the carrying amount with its recoverable amount.

Impairment is determined for an individual asset unless the asset does not generate cash inflows that are independent of those generated from other assets or group of assets, in which case the individual assets are grouped together into cash generating units ("CGUs") for impairment purposes. The recoverable amount is the higher of fair value less costs of disposal and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in net earnings (loss) for the period.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying value if no impairment loss had been recognized. A reversal of an impairment loss is recognized immediately in net earnings (loss).

Investment Tax Credits

An estimate of investment tax credits ("ITC") on scientific research and experimental development ("SRED") expenditures is recorded in the year the expenditures are incurred provided there is reasonable assurance that the ITC will be recovered or realized. The expenditures are reduced by the amount of the estimated investment tax credit. SRED ITCs include refundable and non-refundable tax credits. Refundable ITCs are refunded to the Company once assessed by the Canada Revenue Agency, which is generally within a year from applying for the ITC. Unused non-refundable ITCs are carried forward to reduce taxes payable of future years, and expire 20 years from the year they were granted.

Income Taxes

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

Deferred taxes are recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the date of the statement of financial position.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it does not recognize that excess.

Share Capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

Warrants

The Company follows the relative fair value method with respect to the measurement of common shares and warrants issued as private placement units. The proceeds from the issuance of units are allocated between share capital and warrants. The warrant component is recorded in contributed surplus. Unit proceeds are allocated to common shares and warrants using the Black-Scholes option pricing model and the share price at the time of financing. If and when the warrants are exercised, consideration paid by the warrant holder, together with the amount previously recognized in contributed surplus, is recorded as an increase to share capital. Upon expiration of warrants, the amount applicable to expired warrants is left in contributed surplus.

Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as a finance cost.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments

The Company recognizes a financial asset or a financial liability when it becomes a party to the contractual provisions of the instrument. Under IFRS 9, such financial assets or financial liabilities are initially recognized at fair value and the subsequent measurement depends on their classification.

Financial Assets

The Company classifies its financial assets into three categories, depending on the cash flow characteristics of the assets and the business objective for managing the assets. Financial assets are derecognized when the contractual rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. The Company's accounting policy for each category is as follows:

Amortized cost - Assets are held within a business model with the objective of collecting their contractual cash flow; and the contractual cash flows consist solely of payments of principal and interest. They are recognized initially at fair value plus directly attributable transaction costs, and subsequently measured at amortized cost less cumulative impairment losses. A gain or loss on a debt investment is recognized in profit and loss when the asset is derecognized or impaired.

Fair value through other comprehensive income (“FVTOCI”) – Assets are held within a business model that includes both hold to collect their contractual cash flow and sell the assets; and the contractual cash flows consist solely of payments of principal and interest. For debt instruments measured at FVTOCI, interest income (calculated using the effective interest rate method), foreign currency gains or losses and impairment gains or losses are recognized directly in profit or loss. The cumulative fair value gains or losses recognized in OCI are reclassified to profit or loss when the asset is derecognized. An election may be made to classify an equity investment, that is neither held for trading nor represents contingent consideration recognized by an acquirer in a business combination, as held at FVTOCI. The option to designate an equity instrument at FVTOCI is available at initial recognition and is irrevocable. This designation results in all gains and losses being presented in OCI except dividend income which is recognized in profit or loss.

Fair value through profit and loss (“FVTPL”) - Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on a financial asset measured at FVTPL that is not part of a hedging relationship is recognized in profit and loss and presented on a net basis in the period in which it arises. IFRS 9 contains an option to designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces an ‘accounting mismatch’ that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. The option to designate a financial asset at FVTPL is available at initial recognition and is irrevocable.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)

Financial assets should be reclassified when and only when an entity changes its business model for managing financial assets. Any such reclassifications are applied prospectively from the date of the reclassification.

Financial Liabilities

Under IFRS 9, financial liabilities are primarily classified at amortized cost with limited exceptions. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expires. The Company's accounting policy for each category is as follows:

FVTPL - This category comprises derivatives, liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term, and certain financial liabilities that were designated at FVTPL from inception. IFRS 9 contains an option to designate a financial liability as measured at FVTPL if doing so eliminates or significantly reduces an 'accounting mismatch' that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. The option to designate a financial liability at FVTPL is available at initial recognition and is irrevocable.

Amortized cost - Financial liabilities are recognized initially at fair value net of directly attributable transaction costs. They are subsequently recognized at amortized cost using effective interest method with interest expense recognized on an effective yield basis.

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when the Company has a legal right to offset the amounts and it intends to either settle on a net basis or realize the asset and settle the liability simultaneously.

The Company's classification and measurements of financial assets and liabilities are summarized below:

Financial Instrument	**Classification Under IFRS 9**
Cash	Amortized cost
Short term investments	FVTPL
Accounts receivable	Amortized cost
Investment tax credits refundable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Short term debt	Amortized cost
Term loans	Amortized cost
Convertible debentures	Amortized cost

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)

Allowance for expected credit losses

IFRS 9 provides a simplified approach to measuring expected credit losses using a lifetime expected loss allowance for all trade receivables and contract assets. The credit loss model groups receivables based on similar credit risk characteristics and the number of days past due in order to estimate bad debt expenses. The Company assesses the lifetime expected credit loss related to its sales receivables and re-assesses the provision each reporting period. When measuring the expected credit loss, the Company considers a variety of factors including: evidence of the debtor's financial condition, the term of the receivable and any changes in economic conditions.

Financial Instruments - Fair Value Hierarchy

The Company has a three-tier hierarchy as a framework for disclosing fair value based on inputs used to value the Company's investments. The hierarchy of inputs is summarized below:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities. An active market is one in which transactions for the assets occur with sufficient frequency and volume to provide pricing information on an ongoing basis (the Company has included cash under this category);

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability; and

Level 3 - inputs for the asset or liability that are not based on observable market data.

The classification of a financial instrument in the fair value hierarchy is based upon the lowest level of input that is significant to the measurement of fair value.

Restructuring Costs

Restructuring costs are recognized as liabilities in the period when they are incurred and are measured at their fair value. For such recognition to occur, management, with the appropriate level of authority, must have approved and committed to a firm plan and appropriate communication to those affected must have occurred. Restructuring cost provisions may require an estimation of costs such as severance and termination benefits.

Restructuring cost provisions are reviewed at each balance sheet date and changes in estimates are reflected in the consolidated statement of comprehensive loss in the reporting periods in which the re-measurements occurred.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Critical Accounting Estimates and Judgments

Preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies, the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses during the period. Although these estimates and assumptions are based on management's best knowledge of current events, actual results may be different.

Certain estimates depend on subjective or complex judgments about matters that may be uncertain and changes in these estimates could materially impact the financial statements.

The key sources of estimation uncertainty at statement of financial position date, which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year, are discussed below:

Revenue Recognition

The Company's contracts with customers often include promises to transfer multiple services. In determining how revenue should be recognized, a five-step process is used, which requires judgment and estimates. These judgments and estimates include identifying performance obligations in the contract, determining whether the performance obligations are distinct, determining the stand-alone selling price ("SSP") for each distinct performance obligation, determining the timing of revenue recognition for distinct performance obligations and estimating the amount of variable consideration to include in the transaction price.

In assessing whether the Company's promises to transfer services to the customer are separately identifiable, the objective is to determine whether the nature of the promise, within the context of the contract, is to transfer each of those services individually or, instead, to transfer a combined item or items to which the promised services are inputs. To the extent that the promised services are highly interrelated, those services are considered not distinct and accounted for as single, combined performance obligation. Judgment is required to determine whether the services transferred to a customer are considered distinct and accounted for separately, or not distinct and accounted for together with the related subscription for licensing, customer analytics and support recognized over time.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Critical Accounting Estimates and Judgments (Continued)

Expected Credit Losses ("ECLs")

The Company performs impairment testing annually for accounts receivable in accordance with IFRS 9. The ECL model requires considerable judgment, including consideration of how changes in economic factors affect ECLs, which are determined on a probability-weighted basis. IFRS 9 outlines a three-stage approach to recognizing ECLs which is intended to reflect the increase in credit risks of a financial instrument based on 1) 12-month expected credit losses or 2) lifetime expected credit losses. The Company measures provision for ECLs at an amount equal to lifetime ECLs. The Company applies the simplified approach to determine ECLs on trade receivables by using a provision matrix based on historical credit loss experiences. The historical results were used to calculate the run rates of default which were then applied over the expected life of the trade receivables, adjusted for forward looking estimates.

Investment Tax Credits Recoverable and Deferred Tax Assets

Investment tax credits are claimed on the Company's research and development activities and are based on a percentage of employee wages. Management is required to make judgments of the amount of investment tax credits that the Company will be able to claim. In order to make this estimate, management utilizes a specialist consultant to prepare the appropriate claim forms. These judgments will affect the reported amounts of investment tax credits refundable, intangible assets and salaries and wages expense. Management also exercises judgment in the utilization of non-refundable ITCs recorded as an asset which have not yet been applied to reduce taxes payable and in determining the portion of ITCs the Company expects will be received within one year of the statement of financial position date.

The Company estimates the probability that taxable profits will be available to offset against deductible temporary differences which give rise to deferred tax assets and the utilization of non-refundable ITCs. The ultimate realization of the deferred tax assets and non-refundable ITCs is dependent on the generation of future taxable income during the year in which the temporary differences and non-refundable ITCs are deductible.

Capitalization of Development Costs

Management exercises judgment when establishing whether the criteria under IAS 38, Intangible Assets, for development costs have been met, specifically the technical feasibility of the products in development and the ability to generate probable economic future benefits.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Critical Accounting Estimates and Judgments (Continued)

Impairment of Intangibles

Intangibles are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount or if the intangibles are not yet in use. The recoverable amount is determined with reference to the fair value of the intangibles less costs of disposal or the value-in-use calculations. An impairment loss is measured as the difference between the asset's carrying amount and the recoverable amount. Where recoverable amount is determined to be less than the carrying amount, an impairment loss may arise. Management exercises significant judgment and assumptions when determining the recoverable amount of intangibles.

Share-Based Payments and Warrants

Share-Based payments and warrants are calculated utilizing the Black-Scholes option pricing model to determine the value of options and warrants as of their grant date. Management is required to estimate the volatility of the price of its shares, the amount of future dividends that will be paid, the market's risk-free interest rate, the expected life of the options and warrants, and the expected forfeiture rate for options. These estimates will affect the reported amount of share-based payments and warrants in contributed surplus.

Convertible Debentures

Convertible debentures are compound financial instruments which components are accounted for separately as financial liabilities or equity instruments. The financial liability, which represents the obligation to pay coupon interest on the convertible debentures in the future, is initially measured at its fair value and subsequently measured at amortized cost. The residual amount is accounted for as an equity instrument at issuance.

The identification of convertible debenture components is based on interpretations of the substance of the contractual arrangement and therefore requires management judgment. The separation of the components affects the initial recognition of the convertible debenture at issuance and the subsequent recognition of interest on the liability component. The determination of the fair value of the liability is also based on a number of assumptions, including contractual future cash flows, discount rates and the presence of any derivative financial instruments.

Going concern

Management assesses the Company's ability to continue as a going concern at each reporting date, using all quantitative and qualitative information available. This assessment, by its nature, relies on estimates of future cash flows and other future events, whose subsequent changes would materially impact the validity of such an assessment.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Standards Not Yet Effective

The International Accounting Standards Board has issued several new standards and amendments that will be effective on various dates. The listing below is of standards, interpretation and amendments issued which the Company reasonably expects to be applicable at a future date. The Company intended to adopt those standards when they become effective.

(a) IFRS 16, Leases (“IFRS 16”)

In January 2016, the IASB issued IFRS 16 which is effective for periods beginning on or after January 1, 2019, with early adoption permitted. The new standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. IFRS 16 will also result in reclassification of the nature of lease expenses to depreciation and interest expense. IFRS 16 offers a range of transition options. The Company plans to apply IFRS 16 using the modified retrospective approach.

The cumulative effect of adopting IFRS 16, if any, will be recognized as an adjustment to opening retained earnings as at August 1, 2019, with no restatement of comparative information. Based on the information currently available as of July 31, 2019, the Company estimates that it would recognize a right-use-asset and lease liability of approximately $378,316. This preliminary estimate is subject to adjustment as management continues to monitor and refine certain elements of its IFRS 16 adoption in advance of fiscal 2020 reporting.

3. SHORT TERM INVESTMENTS

Short term investments consist of Guaranteed Investment Certificates ("GICs") in the amount of $34,296 (consisting of $33,790 principal plus accrued interest of $506), which bear interest at an annual interest rate of 2% and mature on October 31, 2019. The GICs were obtained as letters of credit for financing received as discussed in note 7.

(Presented in Canadian Dollars)

4. EQUIPMENT

The components of equipment are as follows as of July 31, 2019:

Cost	Furniture and Fixtures	Computer Equipment	Total
Opening balance - August 1, 2018	$ 76,256	$ 131,481	$ 207,737
Additions	12,550	19,282	31,832
Closing balance - July 31, 2019	$ 88,806	$ 150,763	$ 239,569

Accumulated Depreciation	Furniture and Fixtures	Computer Equipment	Total
Opening balance - August 1, 2018	$ 62,337	$ 100,669	$ 163,006
Depreciation	4,039	12,136	16,175
Closing balance - July 31, 2019	$ 66,376	$ 112,805	$ 179,181

Carrying Value	Furniture and Fixtures	Computer Equipment	Total
Balance - August 1, 2018	$ 13,919	$ 30,812	$ 44,731
Balance - July 31, 2019	$ 22,430	$ 37,958	$ 60,388

As of July 31, 2018:

Cost	Furniture and Fixtures	Computer Equipment	Total
Opening balance - August 1, 2017	$ 69,681	$ 112,493	$ 182,174
Additions	6,575	18,988	25,563
Closing balance - July 31, 2018	$ 76,256	$ 131,481	$ 207,737

Accumulated Depreciation	Furniture and Fixtures	Computer Equipment	Total
Opening balance - August 1, 2017	$ 59,878	$ 92,367	$ 152,245
Depreciation	2,459	8,302	10,761
Closing balance - July 31, 2018	$ 62,337	$ 100,669	$ 163,006

(Presented in Canadian Dollars)

4. EQUIPMENT (Continued)

Carrying Value	Furniture and Fixtures	Computer Equipment	Total
Balance - August 1, 2017	$ 9,803	$ 20,126	$ 29,929
Balance - July 31, 2018	$ 13,919	$ 30,812	$ 44,731

5. INTANGIBLES

The components of internally generated intangible assets are as follows as of July 31, 2019:

Cost	
Opening balance - August 1, 2018	$ 569,292
Additions	-
Closing balance - July 31, 2019	$ 569,292
Accumulated Amortization	
Opening balance - August 1, 2018	$ 217,745
Amortization	113,860
Closing balance - July 31, 2019	$ 331,605
Carrying Value	
Balance - August 1, 2018	$ 351,547
Balance - July 31, 2019	$ 237,687

The components of internally generated intangible assets are as follows as of July 31, 2018:

Cost	
Opening balance - August 1, 2017	$ 713,857
Additions	-
Disposals	(144,565)
Closing balance - July 31, 2018	$ 569,292

(Presented in Canadian Dollars)

5. INTANGIBLES (Continued)

Accumulated Amortization		
Opening balance - August 1, 2017	$	178,579
Amortization		183,731
Disposals		(144,565)
Closing balance - July 31, 2018	$	217,745

Carrying Value		
Balance - August 1, 2017	$	535,278
Balance - July 31, 2018	$	351,547

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are as follows:

		2019		2018
Trade accounts payable	$	172,682	$	79,152
Accrued liabilities		187,253		204,919
Accrued vacation pay and other employee benefits		196,305		195,814
Government remittances payable		18,032		32,426
Customer deposits		182,736		156,400
	$	757,008	$	668,711

7. SHORT TERM DEBT

During the year ended July 31, 2019, the Company received approval for new bridge loans from Investissement Quebec ("IQ") of up to $337,900 by way of two separate loans based on the Company's eligibility of their 2018 and 2019 Scientific Research and Experimental Development ("SRED") claims ($172,400 and $165,500, respectively). The Company received total advances from IQ in the amount of $284,020, being $118,520 for the 2018 SRED claim and $165,500 for the 2019 SRED claim. The loans will be used to fund working capital requirements and are secured against the expected refundable portion of the Company's fiscal 2018 and 2019 SRED claims. The loans bear interest at prime rate plus 2.25% per annum, where prime rate is the rate used by the majority of six Canadian Chartered banks as chosen by IQ.

(Presented in Canadian Dollars)

7. SHORT TERM DEBT (Continued)

The loans are repayable on the earlier of the following dates:

- the date the Company files its corporate income tax return and the SRED claim is deducted from income taxes payable at that time;
- the date the Company is required to file its corporate income tax return if the return is not filed;
- the date a refund is received from the relevant authorities regarding the refundable SRED claims; or
- January 31, 2020 with respect to the 2018 advances and January 31, 2021 with respect to the 2019 advances.

The loans are secured granting IQ a senior-ranking hypotech in the amount of $337,900 and an additional hypotech in the amount of $67,580 (being $34,480 related to the 2018 SRED claim advances and $33,100 related to the 2019 SRED claim advances) charging the universality of the Company's present and future claims and accounts receivable, giving priority to the Company's present and future tax credits. In addition, the Company must maintain an irrevocable standby letter of credit in favour of IQ representing an amount of 10% of the loans guaranteeing all the Company's obligations under the loans, with maturity dates of February 21, 2020 for the 2018 SRED claim advances and February 19, 2021 for the 2019 SRED claim advances. As discussed in note 3, the Company has secured letters of credit totalling $33,790 ($17,240 and $16,550 for the 2018 and 2019 advances, respectively) with one year GICs at 2%. These GICs mature on October 31, 2019, however the Company will renew the GICs to maintain them in accordance with the required maturity dates of the advances.

Subsequent to the year end, the Company repaid the full amount of the fiscal 2018 SRED advances to IQ.

8. CONTRACT LIABILITIES

The following table represents changes in contract liabilities for the years ended July 31, 2019 and 2018:

Balance, July 31, 2017	$	164,248
Invoiced during the period, excluding amount recognized as revenue		3,208,244
Amount recognized as revenue		(3,021,989)
Balance, July 31, 2018		350,503
Invoiced during the period, excluding amount recognized as revenue		4,748,097
Amount recognized as revenue		(3,605,373)
Balance, July 31, 2019	$	1,493,227

(Presented in Canadian Dollars)

9. TERM LOANS

		2019		2018
Investissement Quebec (i)	$	383,321	$	583,325
Business Development Bank of Canada (ii)		183,020		226,940
		566,341		810,265
Transaction costs		(11,201)		(14,844)
Current portion		(410,921)		(653,165)
	$	144,219	$	142,256

(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 were 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 a total of $50,000 of the loan. Transaction costs have been deducted from the loan and will be amortized using the effective interest method over the term of the loan. During the year ended July 31, 2019, the Company amortized $7,022 (2018 - $7,022) of transaction costs, recorded in interest and bank charges. In addition, the Company is required to maintain two financial covenants relating to this term loan. As of July 31, 2019 and 2018, the Company was offside on both financial covenants. The Company obtained a waiver of these financial covenants from IQ such that the term loan did not become payable on demand and the terms of the loan remained unchanged as at and subsequent to July 31, 2019 and 2018. However, since the waivers were received subsequent to July 31, 2019 and 2018, the long-term portion of this loan is classified in the current portion which amounts to $183,317 (2018 - $383,321) which would normally be included in the long-term portion.

(Presented in Canadian Dollars)

9.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 was paid in July 2016, thereafter monthly principal payments of $4,160 plus interest were paid until January 2019. In February 2019, the Company renegotiated the payment terms of the remaining balance of $120,640. Monthly principal payments of $1,000 plus interest are due from February 2019 to July 2020, thereafter monthly principal payments of $9,300 plus interest are due until May 2021, with the final payment of $9,640 due in June 2021. 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. In October 2016, the Company received an additional $100,000, less transactions costs of $2,000, with the same terms and conditions stated above except the first monthly principal payment of $2,060 plus interest was paid in September 2017, thereafter monthly principal payments of $1,660 plus interest were paid until January 2019. In February 2019, the Company renegotiated the payment terms of the remaining balance of $71,380. Monthly principal payments of $500 plus interest are due from February 2019 to January 2020, thereafter monthly principal payments of $2,100 plus interest are due until July 2022, with the final payment of $2,380 due in August 2022.

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

2020		227,604
2021		311,157
2022		25,200
Thereafter		2,380
	$	566,341

10.CONVERTIBLE DEBENTURES

		2019		2018
Principal amount	$	2,000,000	$	-
Equity component on initial recognition		(500,347)		-
Accretion		69,022		-
Transaction costs		(25,484)		-
Accrued interest		150,000		-
	$	1,693,191	$	-

10.CONVERTIBLE DEBENTURES (Continued)

On October 31, 2018, the Company issued convertible debentures (the "Debentures") for total gross proceeds of $2,000,000. The Debentures have the following terms:

- Mature on October 31, 2023.
- Bear interest at 10% per annum and will be payable quarterly starting in year two being January 31, 2020. The Company has the option to pay all or a portion of interest in kind by way of common shares in the Company at a deemed price equal to the volume-weighted average trading price of the common shares for the period of ten (10) days prior to the interest payment date. In the event the Company elects to convert accrued interest into common shares, the interest rate for the amount to be converted into common shares shall be based on 12%. Accrued interest for year one will be paid on the maturity date.
- In the event the volume-weighted average trading price of the common shares is greater than $0.25 for 20 consecutive trading days at any time following October 31, 2019, the Company shall have the option to invite holders of Debentures to convert the then outstanding principal of the Debentures into Common Shares at $0.105 per share (the “Conversion Price”). In the event a holder does not elect to convert the Conversion Price shall increase to $0.15. Subject to the foregoing, the principal of the Debentures may be converted at any time in whole or in part at the holder’s option into common shares at the Conversion Price in effect at such time. On the maturity date, the principal of the Debentures may be converted in whole or in part at the Company's option into common shares at the Conversion Price in effect at such time.
- The principal of the Debentures is redeemable in whole or part by the Company at any time following twelve (12) months from the closing date plus a 25% premium on the principal.

The conversion feature of the Debentures meets the fixed for fixed criteria and is thererfore presented as an equity instrument in accordance with IAS 32. The debt component of the Debentures was measured at fair value on initial recognition. To determine the initial amount of the respective debt and equity components of the Debentures issued, the carrying amount of the financial liability was first calculated by discounting the stream of future principal and interest payments at the rate of interest prevailing at the date of issue for instruments of similar term and risk, which the Company has estimated as 16.5%. The debt component was then deducted from the total carrying amount of the compound instrument to derive the equity component. The debt component was assigned a value of $1,499,653 and the equity component was assigned a value of $500,347 (less deferred income taxes of $120,243). The debt component is subsequently accounted for at amortized cost using the effective interest rate method at a rate of 6.15%. Transaction costs of $33,986 were paid related to the Debentures of which $25,484 was deducted from the value of the debt component and $8,502 was deducted from the residual value of the equity component.

(Presented in Canadian Dollars)

10. CONVERTIBLE DEBENTURES (Continued)

Scheduled interest payments under the Debentures are due as follows:

2020		150,000
2021		200,000
2022		200,000
2023		200,000
Thereafter		250,000
	$	1,000,000

11. COMMITMENTS

The Company has the following non-cancellable lease commitments for premises:

Less than one year	$	139,439
Two to five years		290,165
More than five years		-
	$	429,604

12. SHARE CAPITAL

The Company has authorized an unlimited number of common shares and has 75,251,848 (2018 - 74,012,314) common shares issued and outstanding.

On October 19, 2017, the Company closed a non-brokered private placement and issued:

- 19,999,992 units at a price of $0.05 per unit for gross proceeds of $1,000,000. Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder thereof to acquire a common share at a price of $0.05 for a period of 24 months from the date of issuance.
- 4,444,441 units at a price of $0.0675 per unit for gross proceeds of $300,000. Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder thereof to acquire a common share at a price of $0.0675 for a period of 24 months from the date of issuance.

The value of the warrants was estimated at $544,444 using the relative fair value approach, as discussed in note 14, and was reallocated from share capital to contributed surplus.

12.SHARE CAPITAL (Continued)

Transaction costs of $73,585 were incurred related to the above private placement where $36,488 was deducted from share capital and $37,097 was deducted from contributed surplus relating to the warrants.

During the year ended July 31, 2019, warrant holders exercised 1,624,149 (2018 - 14,397,630) warrants at $0.05 and 85,470 (2018 - 2,577,251) warrants at $0.0675 for total gross proceeds of $86,977 (2018 - $893,846). Of these warrants exercised, 470,085 common shares were issued subsequent to the year end.

For the year ended July 31, 2019, transaction costs of $21,042 were incurred related to the above share issuances and were deducted from share capital.

13.SHARE-BASED PAYMENTS

The Company grants stock options to eligible directors, officers, key employees and consultants under its stock option plan to enable them to purchase common shares of the Company. Under the terms of the plan, the number of common shares which may be issued pursuant to the exercise of options granted under the plan may not exceed 20% (2018 - 20%) of the number of common shares outstanding at the time of grant. As at July 31, 2019, the maximum number of common shares available under the plan was 15,050,370 of which 2,220,370 remained available for grant thereunder.

The exercise price of an option granted under the plan cannot be less than the closing price of the common shares on the last day on which the common shares trade prior to the grant date of the option. An individual can receive grants of no more than 5% of the outstanding shares of the Company on a yearly basis and options are exercisable over a period not exceeding ten years. Options vest according to the discretion of the board which range from immediate to five years.

(Presented in Canadian Dollars)

13.SHARE-BASED PAYMENTS (Continued)

A summary of the status of the Company's stock options as at July 31, 2019 and 2018 and changes during the years then ended is presented below:

	2019			2018		
	Number of Options		Weighted Average Exercise Price	Number of Options		Weighted Average Exercise Price
Outstanding - beginning of year	10,875,000	$	0.12	1,375,000	$	0.15
Granted	2,330,000		0.10	9,500,000		0.12
Exercised	-		-	-		-
Expired	(375,000)		0.15	-		-
Outstanding - end of year	12,830,000	$	0.12	10,875,000	$	0.12
Exercisable - end of year	8,708,739	$	0.12	6,625,000	$	0.12

The weighted average remaining contractual life of stock options as of July 31, 2019 is 3.57 years (2018 - 4.44 years).

The Company had the following stock options outstanding as of July 31, 2019:

Number of Options Outstanding	Number of Options Exercisable	Exercise Price $	Expiry Date	Remaining Life (Years)
1,000,000	1,000,000	0.15	May 10, 2022	2.78
3,500,000	3,500,000	0.10	December 11, 2022	3.37
1,500,000	875,000	0.17	January 29, 2023	3.50
1,750,000	999,995	0.125	March 1, 2023	3.59
1,750,000	1,750,000	0.12	March 6, 2023	3.60
1,000,000	333,333	0.10	July 30, 2023	4.00
50,000	16,664	0.15	November 15, 2023	4.30
200,000	66,664	0.20	November 15, 2020	1.30
280,000	140,000	0.105	December 14, 2020	1.38
500,000	-	0.08	February 1, 2024	4.51
1,300,000	27,083	0.085	June 12, 2024	4.87
12,830,000	8,708,739			

13. SHARE-BASED PAYMENTS (Continued)

On December 11, 2017, the Company granted 3,500,000 stock options to certain officers and directors. Each stock option is exercisable into common shares of the Company at an exercise price of $0.10 and vest immediately. The options expire in five years from the date of grant and are subject to a four month hold.

On January 29, 2018, the Company granted 1,500,000 stock options to an employee of the Company. Each stock option is exercisable into common shares of the Company at an exercise price of $0.17. 500,000 options vest on January 29, 2019 and thereafter 62,500 options vest monthly until May 2020. The options expire in five years from the date of grant.

On March 1, 2018, the Company granted 1,500,000 stock options to employees of the Company. Each stock option is exercisable into common shares of the Company at an exercise price of $0.125. 500,000 options vest on March 1, 2019 and thereafter 62,500 options vest monthly until July 2020. The options expire in five years from the date of grant.

On March 1, 2018, the Company granted 250,000 stock options to an employee of the Company. Each stock option is exercisable into common shares of the Company at an exercise price of $0.125. These options vest on March 1, 2019. The options expire in five years from the date of grant.

On March 6, 2018, the Company granted 1,750,000 stock options to a director of the Company. Each stock option is exercisable into common shares of the Company at an exercise price of $0.12 and vest immediately. The options expire in five years from the date of grant and are subject to a four month hold.

On July 30, 2018, the Company granted 1,000,000 stock options to an officer of the Company. Each stock option is exercisable into common shares of the Company at an exercise price of $0.10. 333,333 options vest on July 30, 2019 and thereafter 41,666 options vest monthly until November 2020. The options expire in five years from the date of grant.

The estimated fair value of the stock options granted for the year ended July 31, 2018 was estimated at values between $0.09 to $0.18 by using the Black-Scholes option pricing model with the following assumptions: expected dividend yield 0%; expected volatility between 133% to 154%; risk free interest rate between 1.67% to 2.19%; forfeiture rate of 0%, share price between $0.10 to $0.19; and expected life of five years.

On November 15, 2018, the Company granted 50,000 stock options to an officer of the Company. Each stock option is exercisable into common shares of the Company at an exercise price of $0.15 and vest monthly over a period of 24 months. The options expire in five years from the date of grant and are subject to a four month hold.

13. SHARE-BASED PAYMENTS (Continued)

On November 15, 2018, the Company granted 200,000 stock options to BSC who will provide investor relation services to the Company. Each stock option is exercisable into common shares of the Company at an exercise price of $0.20 and vest monthly over a period of 24 months. The options expire in 24 months from the date of grant and are subject to a four month hold.

On December 14, 2018, and as part of a consulting agreement entered into with an arm's length consultant, the Company granted 280,000 stock options. Each stock option is exercisable into common shares of the Company at an exercise price of $0.105 and vest quarterly over a period of 12 months. The options expire in 24 months from the date of grant.

On February 1, 2019, the Company granted 500,000 stock options to directors of the Company. Each stock option is exercisable into common shares of the Company at an exercise price of $0.08. 166,666 of these options vest on February 1, 2020. Following this, 13,888 options vest monthly between March 1, 2020 and March 1, 2021, followed by 13,890 options vesting monthly between April 1, 2021 and February 1, 2022. The options expire in five years from the date of grant and are subject to a four month hold.

On June 12, 2019, the Company granted 1,300,000 stock options to employees and officers of the Company. Each stock option is exercisable into common shares of the Company at an exercise price of $0.085. 25,000 of these options vest on June 12, 2019 and 483,331 options vest on June 12, 2020. Following this, the remaining options vest monthly between July 12, 2020 and June 12, 2022. The options expire in five years from the date of grant and are subject to a four month hold.

The estimated fair value of the stock options granted for the year ended July 31, 2019 was estimated at values between $0.04 to $0.12 by using the Black-Scholes option pricing model with the following assumptions: expected dividend yield 0%; expected volatility between 97% to 126%; risk free interest rate between 1.39% to 2.10%; forfeiture rate of 0%, share price between $0.08 to $0.14; and expected life of five years.

The total value of options granted under the Company's option plan for the year ended July 31, 2019 was $163,945 (2018 - $1,167,934). The weighted average grant date fair value of options granted during the year ended July 31, 2019 was $0.09 (2018 - $0.12).

Share-based payments for all vested options for the year ended July 31, 2019 was $351,118 (2018 - $800,091), which was credited to contributed surplus and expensed to share-based payments.

14.SHARE PURCHASE WARRANTS

On October 19, 2017 the Company issued 19,999,992 units at a price of $0.05 per unit for gross proceeds of $1,000,000. Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder thereof to acquire a common share at a price of $0.05 for a period of 24 months from the date of issuance. The fair value of these warrants, as of the grant date, was estimated to be $420,000 using the relative fair value approach. The relative fair value was estimated with inputs included in the Black-Scholes option pricing model with the following assumptions: expected dividend yield 0%; expected volatility of 122%; market price of $0.10; risk free interest rate of 1.49%; and expected life of two years.

On October 19, 2017 the Company issued 4,444,441 units at a price of $0.0675 per unit for gross proceeds of $300,000. Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder thereof to acquire a common share at a price of $0.0675 for a period of 24 months from the date of issuance. The fair value of these warrants, as of the grant date, was estimated to be $124,444 using the relative fair value approach. The relative fair value was estimated with inputs included in the Black-Scholes option pricing model with the following assumptions: expected dividend yield 0%; expected volatility of 122%; market price of $0.10; risk free interest rate of 1.49%; and expected life of two years.

On December 14, 2018, and as part of a consulting agreement entered into with an arm's length consultant, the Company issued 320,000 warrants to settle accounts payable of $35,000. Each warrant entitles the holder thereof to acquire a common share at a price of $0.105 for a period of 24 months from the date of issuance. The warrants were valued at the fair market value of the services provided.

On May 15, 2019 the Company issued 50,000 warrants to settle accounts payable of $4,250. Each warrant entitles the holder thereof to acquire a common share at a price of $0.085 for a period of 24 months from the date of issuance. The warrants were valued at the fair market value of the services provided.

During the year ended July 31, 2019, warrant holders exercised 1,624,149 (2018 - 14,397,630) warrants at $0.05 and 85,470 (2018 - 2,577,251) warrants at $0.0675 for total gross proceeds of $86,977 (2018 - $893,846). As a result, $1,030 (2018 - $350,176) was transferred from contributed surplus to share capital representing the relative fair value of these warrants exercised into common shares, net of transaction costs. The weighted average market price of of warrants exercised on the date of issuance was $0.11 (2018 - $0.12).

(Presented in Canadian Dollars)

14.SHARE PURCHASE WARRANTS (Continued)

A summary of the status of the Company's warrants as at July 31, 2019 and 2018 and changes during the years then ended is presented below:

	2019			2018		
	Number of Warrants		Weighted Average Exercise Price	Number of Warrants		Weighted Average Exercise Price
Outstanding - beginning of year	7,469,552	$	0.054	-	$	-
Granted	370,000		0.106	24,444,433		0.054
Exercised	(1,709,619)		0.051	(16,974,881)		0.054
Expired	-		-	-		-
Outstanding - end of year	6,129,933	$	0.058	7,469,552	$	0.054

The Company had the following warrants outstanding as at July 31, 2019:

Number of Warrants Outstanding	Number of Warrants Exercisable	Exercise Price $	Expiry Date	Remaining Life (Years)
3,978,213	3,978,213	0.05	October 19, 2019	0.22
1,781,720	1,781,720	0.0675	October 19, 2019	0.22
320,000	320,000	0.105	November 14, 2020	1.29
50,000	50,000	0.085	May 15, 2021	1.79
6,129,933	6,129,933			

(Presented in Canadian Dollars)

15.EXPENSES BY NATURE

Cost of Sales - Subscriptions and Support

The components of cost of sales - subscription and support are as follows:

	2019	2018
Salaries and benefits	$ 156,431	$ 126,634
Hosting expense	153,123	176,368
Subcontracting fees	51,173	107,295
	$ 360,727	$ 410,297

Cost of Sales - Services

The components of cost of sales - services are as follows:

	2019	2018
Salaries and benefits	$ 966,971	$ 868,064
Subcontracting fees	270,499	175,989
Other production costs	76,105	56,818
Camera and teleprompter	2,925	10,023
Talent	-	3,838
	$ 1,316,500	$ 1,114,732

Sales and Marketing Expenses

The components of sales and marketing expenses are as follows:

	2019	2018
Salaries and benefits	$ 1,605,654	$ 885,812
Advertising and promotion	426,334	424,759
Travel	189,645	114,115
Meals and entertainment	48,670	25,449
Consulting fees	40,118	166,347
	$ 2,310,421	$ 1,616,482

(Presented in Canadian Dollars)

15. EXPENSES BY NATURE (Continued)

General and Administrative Expenses

The components of general and administrative expenses are as follows:

	2019	2018
Salaries and benefits	$ 776,887	$ 377,830
Professional fees	277,147	192,574
Rent and occupancy costs	216,349	212,523
Consulting fees	166,495	161,799
Computer and software	156,226	73,216
Stock exchange expense	82,606	8,451
Other office and administrative	55,907	52,427
Telecommunications	43,526	56,524
Insurance	24,554	21,558
Training and recruitment	7,133	3,337
Foreign exchange gain	(1,212)	(21,407)
	$ 1,805,618	$ 1,138,832

Research and Development Expenses

The components of research and development expenses are as follows:

	2019	2018
Salaries and benefits	$ 1,187,875	$ 1,006,723
Consulting fees	197,835	169,381
ITC claims (i)	(134,563)	(214,753)
Other government grants (ii)	(226,268)	-
	$ 1,024,879	$ 961,351

(i) See note 17 for further details of ITC claims.

(ii) During the year ended July 31, 2019, the Company was approved by the Industrial Research Assistance Program ("IRAP") for up to $200,000 to assist in the development of the IndiVideo product. IRAP is a Canadian government funding program designed to accelerate the research and development projects of Canadian innovators. The Company successfully received the full $200,000 in April and May 2019.

During the year ended July 31, 2019, the Company received a government grant, CanExport, in relation to European IndiVideo efforts, in the amount of $26,268 (2018 - $Nil) from the National Research Council of Canada. This funding is a reimbursement of previously incurred expenses.

(Presented in Canadian Dollars)

15.EXPENSES BY NATURE (Continued)

Research and Development Expenses (Continued)

The Export Program (PEX) offers a non-refundable financial contribution to Quebec companies to help them carry out their international projects more easily or quickly. During the year ended July 31, 2019, the Company was approved for up to $29,322 (2018 - $Nil) in funding by way of reimbursement for eligible expenses. Based on submissions to the Quebec government, the Company received $14,461 subsequent to the year-end.

16.RESTRUCTURING COSTS

Restructuring costs were recorded for the year ended July 31, 2019 of $Nil (2018 - $103,847) and primarily consist of employee-related charges. The employee-related charges consisted of termination and related costs in connection with headcount reductions. The headcount reductions were implemented to improve operational efficiency.

17.INCOME TAXES

The following table reconciles income taxes calculated at the applicable tax rates of 25.54% (2018 - 25.54%) with the income tax expense in the consolidated financial statements. The applicable tax rate is based on the weighted Federal, Ontario and Quebec statutory rates.

	2019	2018
Income tax expense at statutory tax rate	$ (1,011,720)	$ (863,673)
Permanent differences	151,287	207,593
Tax on benefit of investment tax credits and other	(139,262)	(29,938)
Change in deferred tax assets not recognized	1,613,690	654,301
Prior year adjustments and other	(734,383)	-
	$ (120,388)	$ (31,717)

The Company's income tax (recovery) is allocated as follows:

	2019	2018
Current tax (recovery)	-	-
Deferred tax (recovery)	(120,388)	(31,717)
	(120,388)	(31,717)

(Presented in Canadian Dollars)

17. INCOME TAXES (Continued)

The Company claims research and development ("R&D") deductions and related ITCs for tax purposes based on management's interpretation of the applicable legislation in the Income Tax Act of Canada. These claims are subject to audit by the Canada Revenue Agency ("CRA") and Revenue Quebec and any adjustments that results could affect ITCs recorded in the consolidated financial statements. In the opinion of management, the treatment of R&D for income tax purposes is appropriate. During the year, the Company recognized $167,863 (2018 - $146,909) of ITCs which were presented as a reduction of R&D expense. As a result of an audit conducted by Revenue Quebec, a portion of the fiscal 2018 SRED claim was reduced in the current year by $77,119 and was netted with the current year SRED claim. The Company expects to recover $248,777 (2018 - $398,032) of refundable ITCs within the next fiscal year and $Nil (2018 - $Nil) of unused non-refundable ITCs in subsequent years. Due to the uncertainty of realizing non-refundable ITCs, the Company has not recognized the non-refundable ITCs. These non-refundable ITCs will not be recognized until it is probable that they will be realized by the Company.

The Company also applied for Ontario Interactive Digital Media Tax Credits ("OIDMTC") for the 2014 to 2015 fiscal years, which amount to $67,844 and $43,819, respectively. The 2014 and 2015 claims were approved and received in August 2018 and May 2019, respectively. For the year ended July 31, 2019, the Company recorded OIDMTC income of $43,819 (2018 - $67,844) representing the 2015 claim (2018 - 2014 claim) which was presented as a reduction of R&D expense.

As at July 31, 2019, the Company has unused non-refundable ITCs of $1,203,483 which are available to reduce future taxes payable. These non-refundable ITCs expire as follows:

	Federal	Ontario	Total
2031	$ 5,576	$ -	$ 5,576
2032	85,050	-	85,050
2033	128,021	9,650	137,671
2034	167,842	24,739	192,581
2035	89,699	20,206	109,905
2036	116,292	22,987	139,279
2037	124,332	17,958	142,290
2038	179,959	28,679	208,638
2039	161,768	20,725	182,493
	$ 1,058,539	$ 144,944	$ 1,203,483

These non-refundable ITC's were not recognized in the current and prior year consolidated financial statements due to the uncertainty of realizing them in future years.

(Presented in Canadian Dollars)

17. INCOME TAXES (Continued)

Deferred Income Taxes

The temporary differences that give rise to deferred income tax assets and liabilities are presented below at the expected future tax rate of 25.54% (2018 - 25.54%):

	2019	2018
Non-capital losses available for carry-forward	$ 1,795,159	$ 1,008,863
Equipment	10,826	6,695
Intangibles	(60,705)	(88,308)
Convertible debentures	(116,669)	-
Transaction costs	22,723	13,237
Federal and provincial ITCs	926,456	23,468
	2,577,790	963,955
Deferred tax assets not recognized	(2,671,841)	(1,058,151)
Deferred tax liabilities	$ (94,051)	$ (94,196)

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.

Movement in net deferred tax liabilities:

	2019	2018
Balance at the beginning of the year	(94,196)	(125,913)
Recognized in profit/loss	120,388	31,717
Recognized in equity	(120,243)	-
Balance at the end of the year	(94,051)	(94,196)

As at July 31, 2019, the Company has income tax losses which are available to reduce future taxable income. These losses expire as follows:

	Federal and Ontario	Quebec
2034	336,954	730,292
2036	194,552	540,210
2037	980,016	980,016
2038	2,310,686	1,731,666
2039	3,194,100	3,240,151
	$ 7,016,308	$ 7,222,335

(Presented in Canadian Dollars)

17. INCOME TAXES (Continued)

Deferred Income Taxes (Continued)

These non-capital losses were not recognized in the current and prior year consolidated financial statements due to the uncertainty of realizing them in future years.

18. 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. Key management personnel are defined as those individuals having authority and responsibility for planning, directing and controlling the activities of the Company. The Company's related party transactions for the for the year ended July 31, 2019, were all paid to key management personnel and were as follows:

		2019		2018
Salaries and benefits	$	1,098,126	$	487,226
Professional fees		-		50,000
Consulting fees		-		73,846
Transaction costs		-		14,000
Stock-based compensation (i)		239,384		647,985
	$	1,337,510	$	1,273,057

i) Stock based compensation for officers/directors is comprised of the vested value of stock options granted during the year.

19. 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 collectibility of accounts and for the year ended July 31, 2019 has recorded a provision for ECLs of $3,929 (2018 - $Nil).

As at July 31, 2019, approximately 72% (2018 - 69%) of the Company's accounts receivable are due from four significant customers, each of which individually made up more than 10% of the Company's sales.

(Presented in Canadian Dollars)

19.FINANCIAL INSTRUMENTS (Continued)

Credit Risk (Continued)

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

	ECL %	2019	2018
Current	0.3%	$ 178,995	$ 323,191
Over 30 days past due	1.0%	250,624	62,286
Over 60 days past due	2.5%	22,640	23,350
Over 90 days past due	5.0%	6,982	-
Less: Provision for ECLs		(3,929)	-
		$ 455,312	$ 408,827

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 term loans which are repayable in various monthly instalments as discussed in note 9, and on its convertible debentures which requires quarterly interest payments and which principal is due on October 31, 2023 as discussed in note 10. 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 July 31, 2019, the Company had cash on hand of $887,833 and accounts receivable of $455,312 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

The Company is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales and purchases are denominated and the respective functional currency of the company. The functional currency of the Company is Canadian dollar (CAD). The currencies in which transactions are primarily denominated are Canadian or US dollars (USD).

19. FINANCIAL INSTRUMENTS (Continued)

Currency Risk (Continued)

In respect of monetary assets and liabilities denominated in foreign currencies, the Company policy is to ensure that the net exposure is kept to an acceptable level by buying and selling foreign currencies at spot rate when necessary to address short-term imbalances and business needs.

As at July 31, 2019, net cash, accounts receivable and payable of $541,094, shown in USD and converted into CAD at the year end exchange rate of 1.315 (2018 - 1.302). For the year ended July 31, 2019, the Company recognized a gain on foreign exchange of $1,212 (2018 - gain of $21,407) as a result of appreciation of the USD.

Exposure to Currency Risk

			2019		2018
Cash	USD	$	438,524	$	226,574
Trade receivables			127,140		21,593
Trade payables			(24,570)		-
Net statement of financial position exposure	USD	$	541,094	$	248,167
Average USD to CAD exchange rate		$	1.323	$	1.274
Spot rate USD to CAD exchange rate		$	1.315	$	1.302

Sensitivity Analysis

A reasonably possible (strengthening) weakening of the CAD against the USD on July 31 would have affected the measurement of financial instruments denominated in foreign currency and affected profit or loss by the amount show below. The potential effect of a 5% increase or decrease in net exposure due to the USD transactions would result in an increase or decrease in net earnings of approximately $35,571 (2018 - $33,778). This analysis assumes that all other variables such as economic factors and interest rate, remain unchanged and ignores any impact of future sales and purchases.

(Presented in Canadian Dollars)

19.FINANCIAL INSTRUMENTS (Continued)

Currency Risk (Continued)

	July 31, 2019 (spot rate)		July 31, 2018 (spot rate)	
	Strengthening	Weakening	Strengthening	Weakening
USD (5% movement)	$ 1.38	$ 1.25	$ 1.31	$ 1.19
USD (10% movement)	1.51	1.12	1.44	1.06
Impact: Profit and Loss				
USD (5% movement)	35,571	(35,571)	33,778	(33,778)
USD (10% movement)	$ 106,714	$ (106,714)	$ 101,333	$ (101,333)

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 term loans.

Fair Value

As at July 31, 2019, the carrying value and fair value amounts of the Company's financial instruments are approximately the same. Unless otherwise indicated, the Company does not believe there would be any material movements as a result of changes in interest rates or foreign exchange rates.

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, short term investments, which is categorized into Level 1.

20.DISAGGREGATION OF REVENUE

The Company has one reportable segment, which is providing interactive personalized video and marketing software to financial institutions, insurance services and pension funds. This single reportable operating segment derives its revenues from the sale of software-as-a-service (SaaS) products and related professional services are transacted.

(Presented in Canadian Dollars)

20.DISAGGREGATION OF REVENUE (Continued)

The Company generates revenues in three principal geographical regions: Canada, United States of America (USA), and outside North America (other):

	2019	2018
Canada	$ 2,990,080	$ 2,823,637
US	489,784	136,352
Other	125,510	62,000
	$ 3,605,374	$ 3,021,989

21.MANAGEMENT OF CAPITAL

The Company considers share capital, contributed surplus, and retained earnings as capital and manages its capital to meet its funding requirements for ongoing operations. There have been no changes in the Company's objectives towards managing its capital in the year.

The Company includes the following in its capital:

	2019	2018
Share capital	$ 2,804,938	$ 2,737,973
Contributed surplus	2,054,753	1,293,813
Deficit	(7,745,487)	(3,904,561)
	$ (2,885,796)	$ 127,225

The Company's objectives when managing capital are:

(a) To ensure that the Company maintains the level of capital necessary to meet the requirements of its suppliers and its ongoing operations;

(b) To give shareholders sustained growth in value by increasing shareholders' equity; and

(c) To maintain a flexible capital structure which optimises the cost of capital at acceptable levels of risk.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its underlying assets. The Company maintains or adjusts its capital level to enable it to meet its objectives by:

(a) Providing services to its customers that are profitable to the Company;

(b) Utilizing a line of credit and term loan provided by its bank; and

(c) Raising capital through equity or debt financings.

21.MANAGEMENT OF CAPITAL (Continued)

Other than the financial covenants imposed on the Company's term loans as described in note 9, the Company is not subject to any capital requirements imposed by a regulator. There were no changes in the Company's approach to capital management during the year. To date, the Company has not declared any cash dividends to its shareholders as part of its capital management program. The Company's management is responsible for the management of capital and monitors the Company's use of capital. The Company expects that its current capital resources will be sufficient to discharge its liabilities as at July 31, 2019.

22.SUBSEQUENT EVENTS

Sale of DigitalReach

On September 4, 2019, the Company sold the technology and source code for its DigitalReach™ platform and Broadridge's Smart Advisor® application to Broadridge Financial Solutions, Inc. (NYSE: BR), a global Fintech leader and leading provider of investor communications and technology-driven solutions to banks, broker-dealers, asset and wealth managers and corporate issuers, for $2,300,000 in cash. The disposition has been approved by the TSX Venture Exchange.

Issuance of Stock Options

On November 8, 2019, the Company granted 425,000 stock options to employees and consultant of the Company at an exercise price equal to the closing price of the common shares of the Corporation on the TSX Venture Exchange on the date hereof and expiring five years from the date of grant. The options vest 1/3 after 12 months and then monthly for the following 24 months and become effective only upon any necessary shareholder or regulatory approval having been obtained and upon delivery of an option certificate to the Optionee by the Company.