BLUERUSH INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED APRIL 30, 2020 AND 2019
(Presented in Canadian Dollars)
(Unaudited)

BLUERUSH INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED APRIL 30, 2020 AND 2019

CONTENTS

(Unaudited)

BLUERUSH INC.

NOTICE TO READER

Responsibility for Financial Statements

The accompanying unaudited condensed consolidated interim financial statements ("the financial statements") of BlueRush Inc. (the "Company") and its subsidiary as at and for the three and nine months ended April 30, 2020 and 2019 have been prepared by the Company's management in accordance with International Financial Reporting Standards applicable to the financial statements (see note 2 to the financial statements). Recognizing that the Company is responsible for both the integrity and objectivity of the financial statements, management is satisfied that these financial statements have been fairly presented.

Auditors' Involvement

MNP LLP, the external auditors of the Company, have not audited or performed review procedures applicable to auditor review of these financial statements as at and for the three and nine months ended April 30 2020 and 2019 nor have they conducted any procedures with respect to the supplementary financial schedules herein.

BLUERUSH INC.

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

	Note		April 30, 2020 (Unaudited)		July 31, 2019 (Audited)
ASSETS					
Current Assets					
Cash		$	176,442	$	887,833
Short term investments	4		16,711		34,296
Accounts receivable			561,445		455,312
Prepaids and other assets			49,698		34,291
Investment tax credits refundable			324,280		248,777
Unbilled revenue			156,756		29,666
Work in process			92,955		2,591
Total Current Assets			1,378,287		1,692,766
Non-Current Assets					
Equipment	5		57,225		60,388
Right-of-use assets	6		282,754		-
Intangibles	7		121,678		237,687
Total Assets		$	1,839,944	$	1,990,841
LIABILITIES AND SHAREHOLDERS' DEFICIT					
Current Liabilities					
Accounts payable and accrued liabilities	8	$	1,094,590	$	757,008
Short term debt	9		165,500		284,020
Contract liabilities	10		1,169,904		1,493,227
Term loans - current portion	11		100,700		410,921
Current portion of lease liabilities	12		124,160		-
Total Current Liabilities			2,654,854		2,945,176
Non-Current Liabilities					
Term loans	11		344,604		144,219
Lease liabilities	12		172,137		-
Convertible debentures	13		1,833,887		1,693,191
Deferred taxes			75,597		94,051
Total Liabilities			5,081,079		4,876,637
Commitments					
Shareholders' Deficits					
Share capital			3,116,294		2,804,938
Contributed surplus			1,974,384		2,054,753
Accumulated deficits			(8,331,813)		(7,745,487)
Total Shareholders' Deficits			(3,241,135)		(2,885,796)
Total Liabilities and Shareholders' Deficits		$	1,839,944	$	1,990,841

Approved on Behalf of the Board

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

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

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

BLUERUSH INC.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS FOR THE THREE MONTHS ENDED APRIL 30, 2020 and 2019
(Presented in Canadian Dollars)
(Unaudited)

	Note	2020	2019
REVENUE			
Subscriptions and support	17	$ 359,652	$ 131,838
Services	17	697,411	430,503
Interest		2,251	6,744
Other income	18	207,907	-
		1,267,221	569,085
COST OF SALES			
Subscriptions and support	19	99,872	85,351
Services	19	352,614	191,073
		452,486	276,424
GROSS PROFIT		814,735	292,661
EXPENSES			
Sales and marketing	19	518,685	476,176
Share-based payments (recovery)	15	(8,706)	70,380
General and administrative	19	289,029	370,923
Interest and bank charges		92,692	137,953
Research and development	19	388,157	89,129
Amortization of equipment and right-of-use assets	5, 6	35,846	4,126
Amortization of intangible assets	7	20,994	20,997
Restructuring costs		19,019	-
Total Expenses		1,355,716	1,169,684
LOSS BEFORE TAXES		(540,981)	(877,023)
Deferred income tax recovery		(6,245)	(4,947)
LOSS FROM CONTINUING OPERATIONS		$ (534,736)	$ (872,076)
LOSS (INCOME) FROM DISCONTINUED OPERATIONS	20	(25,727)	80,599
NET LOSS AND COMPREHENSIVE LOSS		(560,463)	(791,477)
INCOME (LOSS) PER WEIGHTED NUMBER OF SHARES OUTSTANDING - BASIC AND DILUTED:			
CONTINUING OPERATIONS		$ (0.01)	$ (0.01)
DISCONTINUED OPERATIONS		$ (0.00)	$ (0.00)
CONTINUING AND DISCONTINUED OPERATIONS		$ (0.01)	$ (0.01)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING - BASIC AND DILUTED		78,366,242	75,251,848

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

BLUERUSH INC.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS FOR THE NINE MONTHS ENDED APRIL 30, 2020 and 2019
(Presented in Canadian Dollars)
(Unaudited)

	Note	2020	2019
REVENUE			
Subscriptions and support	17	$ 910,909	$ 293,284
Services	17	2,065,188	1,443,324
Interest		16,083	18,236
Other income	18	207,907	-
		3,200,087	1,754,844
COST OF SALES			
Subscriptions and support	19	287,980	182,271
Services	19	1,141,625	771,092
		1,429,605	953,363
GROSS PROFIT		1,770,482	801,481
EXPENSES			
Sales and marketing	19	1,786,974	1,659,194
General and administrative	19	1,055,217	1,277,177
Share-based payments	15	88,532	282,746
Interest and bank charges		286,991	200,308
Research and development	19	1,170,984	351,308
Amortization of equipment and right-of-use assets	5, 6	107,744	11,182
Amortization of intangible assets	7	62,987	62,991
Restructuring costs		19,019	-
Total Expenses		4,578,448	3,844,906
LOSS BEFORE TAXES		(2,807,966)	(3,043,425)
Deferred income tax recovery		(18,454)	(11,662)
LOSS FROM CONTINUING OPERATIONS		$ (2,789,512)	$ (3,031,763)
INCOME FROM DISCONTINUED OPERATIONS	20	2,203,186	18,626
NET LOSS AND COMPREHENSIVE LOSS		(586,326)	(3,013,137)
INCOME (LOSS) PER WEIGHTED NUMBER OF SHARES OUTSTANDING - BASIC AND DILUTED:			
CONTINUING OPERATIONS		$ (0.04)	$ (0.04)
DISCONTINUED OPERATIONS		$ 0.03	$ (0.00)
CONTINUING AND DISCONTINUED OPERATIONS		$ (0.01)	$ (0.04)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING - BASIC AND DILUTED		77,839,861	74,935,276

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

BLUERUSH INC.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN DEFICITS
FOR THE NINE MONTHS ENDED APRIL 30, 2020 and 2019
(Presented in Canadian Dollars)
(Unaudited)

	Note	Common Shares	Share Capital	Contributed Surplus	Accumulated Deficits	Total Shareholders' Deficits
Balance - August 1, 2018		74,012,314	$ 2,737,973	$ 1,293,813	$ (3,904,561)	$ 127,225
Exercise of warrants	14, 16	1,239,534	88,007	(26,030)	-	61,977
Equity portion of convertible debentures	13	-	-	366,050	-	366,050
Transaction costs related to convertible debentures	13	-	-	(8,502)	-	(8,502)
Warrants issued for settlement of accounts payable	16	-	-	35,000	-	35,000
Share-based payments	15	-	-	282,746	-	282,746
Net loss		-	-	-	(3,013,137)	(3,013,137)
Balance - April 30, 2019		75,251,848	$ 2,825,980	$ 1,943,077	$ (6,917,698)	$ (2,148,641)
Balance - August 1, 2019		75,251,848	2,804,938	2,054,753	(7,745,487)	(2,885,796)
Common shares issued	14	470,085	35,471	(35,471)	-	-
Exercise of warrants	14, 16	2,644,309	202,081	(59,626)	-	142,455
Warrants expired	16	-	73,804	(73,804)	-	-
Share-based payments	15	-	-	88,532	-	88,532
Net loss		-	-	-	(586,326)	(586,326)
Balance - April 30, 2020		78,366,242	$ 3,116,294	$ 1,974,384	$ (8,331,813)	$ (3,241,135)

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

BLUERUSH INC.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED APRIL 30, 2020 and 2019
(Presented in Canadian Dollars)
(Unaudited)

	Note	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss		$ (586,326)	$ (3,013,137)
Items not requiring an outlay of cash:			
Depreciation of equipment and right-of-use assets	5, 6	107,744	11,182
Amortization of Intangible Assets	7, 20	65,477	85,395
Share-based payments	15	88,532	282,746
Unrealized exchange gain/loss		-	(12,651)
Gain on sale	20	(2,216,205)	-
Accretion expense		167,955	150,928
Deferred income taxes		(18,454)	(11,662)
Changes in non-cash working capital:			
Accounts receivable		(106,133)	(239,049)
Prepaids and other assets		(15,407)	(2,901)
Work in process		(90,364)	(5,479)
Unbilled revenue		(127,090)	1,362
Investment tax credits refundable		(75,503)	317,118
Accounts payable and accrued liabilities		337,582	(155,460)
Contract liabilities		(323,323)	983,597
NET CASH USED IN OPERATING ACTIVITIES		(2,791,515)	(1,608,011)
CASH FLOWS FROM FINANCING ACTIVITIES			
(Repayment of) proceeds from short term debt	9	(118,520)	249,890
Repayment of lease liabilities	12	(104,012)	-
Proceeds from exercise of warrants	14, 16	142,455	61,977
Proceeds from convertible debentures, net of transaction costs		-	1,966,014
Repayment of term loans	11	(115,102)	(192,800)
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES		(195,179)	2,085,081
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of discontinued operations	20	2,266,737	-
Proceeds from (purchases of) short term investments	4	17,585	(33,790)
Purchase of equipment	5	(9,019)	(26,104)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		2,275,303	(59,894)
NET (DECREASE) INCREASE IN CASH		(711,391)	417,176
EFFECT OF EXCHANGE RATE CHANGES ON CASH		-	12,651
CASH, BEGINNING OF PERIOD		887,833	787,830
CASH, END OF PERIOD		$ 176,442	$ 1,217,657
SUPPLEMENTAL CASH FLOW INFORMATION:			
Interest paid		$ 119,036	$ 49,379
Warrants issued for settlement of accounts payable		$ -	$ 35,000

The accompanying notes are an integral part of these condensed consolidated interim 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. BASIS OF PREPARATION

Statement of Compliance

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

These financial statements should be read in conjunction with the Company's 2019 annual financial statements.

These financial statements were authorized by the Board of Directors on June 18, 2020.

Basis of Measurement

These consolidated financial statements have been prepared on the historical cost basis except for financial instruments classified as fair value through profit or loss, which are stated at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Functional and Presentation Currency

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

Basis of Consolidation

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

2. BASIS OF PREPARATION (Continued)

Going Concern

The consolidated financial statements are prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for the next twelve months. The Company has incurred losses from operations during the nine months ended April 30, 2020 of $586,326 and has an accumulated deficit of $3,241,135 as at April 30, 2020 (July 31, 2019 - $2,885,796). The Company has funded its general working capital, research and development ("R&D") and sales & marketing needs principally through the issuance of securities and convertible debentures. There is no certainty that such funding will be available going forward. As at April 30, 2020 the Company had current assets of $1,378,287 (July 31, 2019 - $1,692,766) and current liabilities of $2,654,854 (July 31, 2019 - $2,945,176). Of the $2,654,854 current liabilities as at April 30, 2020, $1,169,904 relates to contract liabilities representing payment in advance by customers. This amount will not crystallize as a cash outflow, giving an adjusted current liability of $1,484,950. These conditions raise doubt about its ability to continue as a going concern and realize its assets and pay its liabilities as they become due.

Management is also closely evaluating the impact of COVID-19 on the Company's business. In order for the Company to continue as a going concern and fund any expansion of its operations, the Company will require additional capital. The availability of equity or debt financing will be affected by, among other things, the results of the Company's continued transition to the SaaS model, sales efforts and demand declines, the progress of IndiVideo's R&D, the state of the capital markets considering COVID-19 and strategic partnership agreements. In addition, if the Company raises additional funds by issuing equity securities, then existing security holders will likely experience dilution, and the incurring of indebtedness would result in increased debt service obligations and could require the Company to agree to operating and financial covenants that would restrict its operations. Any failure on its part to raise additional funds on terms favourable to the Company or at all, may require the Company to significantly change or curtail its current or planned operations in order to conserve cash until such time, if ever, that sufficient proceeds from operations are generated, and could result in the Company not taking advantage of business opportunities.

3. SIGNIFICANT ACCOUNTING POLICIES

Discontinued Operations

A discontinued operation is a component that either has been disposed of, or is classified as held for sale, and

(a) represents a separate major line of business or geographical area of operations,

(b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or

(c) is a subsidiary acquired exclusively with a view to resale.

A component of an entity comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity. In other words, a component of an entity will have been a cash-generating unit or a group of cash-generating units while being held for use.

Adoption of New and Amended Standards

(a) IFRS 16, Leases ("IFRS 16")

In January 2016, the IASB issued IFRS 16 which supersedes IAS 17 Leases, as well as several interpretations of leases. IFRS 16 eliminates the classification of leases by a lessee between operating and finance leases and introduces a single, on-balance sheet accounting model for lessees. As a result, the Company has recognized right-of-use ("ROU") assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. The details of this change in accounting policy are disclosed below.

Leases

The Company recognizes a ROU asset and a lease liability at the lease commencement date. The ROU asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Company has applied judgment to determine the lease term for lease contracts which include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and ROU assets recognized.

Leases with a term less than twelve months or of low value are expensed as incurred.

Transition and adoption

The Company adopted IFRS 16 in its unaudited condensed consolidated interim financial statements for the period beginning August 1, 2019, using the modified retrospective approach under which the cumulative effect of initial application is recognized in retained earnings at August 1, 2019. Accordingly, the prior period financial information has not been restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations.

The Company has available the following practical expedients as permitted under the new IFRS 16 standard:

i) Leases with a remaining lease term of fewer than twelve months can be classified as short-term leases.

ii) Leases of low dollar value continue to be expensed as incurred.

As a result of initially applying IFRS 16, the Company has no short-term or low dollar value leases as of August 1, 2019. In relation to the leases that were previously classified as operating leases, related to the Company's lease of its office spaces in Toronto and Montreal. The Company would recognize lease liabilities of $378,316 as at August 1, 2019, which were measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate. The associated ROU assets were measured at the lease liability amount on August 1, 2019 resulting in no adjustment to the opening balance of retained earnings.

(Presented in Canadian Dollars)

4. SHORT TERM INVESTMENTS

Short term investments consist of Guaranteed Investment Certificates ("GICs") in the amount of $16,711, consisting of $16,550 principal plus accrued interest of $161 (July 31, 2019 - $34,296, consisting of $33,790 principal plus accrued interest of $506) which bear interest at an annual interest rate of 2.5% and mature on October 31, 2020. The GICs were obtained as letters of credit for financing received as discussed in note 9.

5. EQUIPMENT

The components of equipment are as follows as of April 30, 2020:

Cost	Furniture and Fixtures	Computer Equipment	Total
Opening balance - August 1, 2019	$ 88,806	$ 150,763	$ 239,569
Additions	-	9,019	9,019
Disposals	-	-	-
Closing balance - April 30, 2020	$ 88,806	$ 159,782	$ 248,588

Accumulated Amortization	Furniture and Fixtures	Computer Equipment	Total
Opening balance - August 1, 2019	$ 66,376	$ 112,805	$ 179,181
Amortization	3,182	9,000	12,182
Closing balance - April 30, 2020	$ 69,558	$ 121,805	$ 191,363

Carrying Value	Furniture and Fixtures	Computer Equipment	Total
Balance - August 1, 2019	$ 22,430	$ 37,958	$ 60,388
Balance - April 30, 2020	$ 19,248	$ 37,977	$ 57,225

(Presented in Canadian Dollars)

6. RIGHT-OF-USE ASSETS

The components of right-of-use assets are as follows as of April 30, 2020:

Cost or Deemed Cost		Building
Right-of-use assets on transition to IFRS 16 - August 1, 2019	$	378,316
Additions		-
Closing balance - April 30, 2020	$	378,316

Accumulated Depreciation		Total
Opening balance - August 1, 2019	$	-
Depreciation		95,562
Closing balance - April 30, 2020	$	95,562

Carrying Value		Total
Balance - August 1, 2019	$	378,316
Balance - April 30, 2020	$	282,754

As a result of initially applying IFRS 16, the Company recognized right-of-use assets of $378,316 as of August 1, 2019. Depreciation expense of $31,854 and $95,562 was recognized from these leases during the three and nine months ended April 30, 2020. Refer to note 3 for further details regarding the impact of the adoption of IFRS 16.

7. INTANGIBLES

The components of internally generated intangible assets are as follows as of April 30, 2020:

Cost		
Opening balance - August 1, 2019	$	569,292
Additions		-
Disposals		(149,369)
Closing balance - April 30, 2020	$	419,923

(Presented in Canadian Dollars)

7. INTANGIBLES (Continued)

Accumulated Amortization		
Opening balance - August 1, 2019	$	331,605
Amortization		62,987
Disposals		(96,347)
Closing balance - April 30, 2020	$	298,245

Carrying Value		
Balance - August 1, 2019	$	237,687
Balance - April 30, 2020	$	121,678

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are as follows:

		April 30, 2020		July 31, 2019
Trade accounts payable	$	508,243	$	172,682
Accrued liabilities		174,032		187,253
Accrued vacation payable and other employee benefits		243,706		196,305
Government remittances payable		1,508		18,032
Customer deposits		167,101		182,736
	$	1,094,590	$	757,008

9. 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 the 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.

9. 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 4, the Company has secured letters of credit totalling $16,550 (July 31, 2020 - $33,790, representing $17,240 and $16,550 for the 2018 and 2019 advances, respectively) with one year GICs at 2.5%. The 2019 SRED GIC of $16,550 matures on October 31, 2020 and the 2018 SRED GIC of $17,240 was redeemed during the nine months ended April 30, 2020. The Company will renew the GICs to maintain them in accordance with the required maturity dates of the advances.

During the nine months ended April 30, 2020, the Company repaid the full amount of the fiscal 2018 SRED advances to IQ in the amount of $118,520.

(Presented in Canadian Dollars)

10. CONTRACT LIABILITIES

The following table represents changes in contract liabilities for the nine months ended April 30, 2020:

Balance - August 1, 2019	$	1,493,227
Invoiced during the period, excluding amount recognized as revenue		2,476,556
Amount recognized as revenue included in the balance at the beginning of the period		(2,799,879)
Balance - April 30, 2020	$	1,169,904

11. TERM LOANS

		April 30, 2020		July 31, 2019
Investissement Quebec (i)	$	280,319	$	383,321
Business Development Bank of Canada (ii)		170,920		183,020
		451,239		566,341
Transaction costs		(5,935)		(11,201)
Current portion		(100,700)		(410,921)
	$	344,604	$	144,219

(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 requirements. 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 were paid until January 2020. During the nine months ended April 30, 2020, the Company both renegotiated the payment terms of the remaining balance of $283,319 ($383,321 as at July 31, 2019) while also receiving a moratorium on all outstanding principal for 6 months due to COVID-19 beginning March 2020. Monthly principal payments of $3,000 plus interest are due from September 2020 to January 2021. Following this, the Company's monthly principal payments will be $12,000 plus interest from February 2021 to June 2021, thereafter $20,000 plus interest until November 2021 with the final payment of $105,319 due in December 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.

(Presented in Canadian Dollars)

11. 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. In March 2020, the Company again renegotiated the payment terms of the remaining balance of $107,640. Monthly principal payments of $1,000 plus interest are due from September 2020 to January 2021, thereafter monthly principal payments of $9,300 plus interest are due until November 2021, with the final payment of $9,640 due in December 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. In March 2020, the Company again renegotiated the payment terms of the remaining balance of $63,280. Monthly principal payments of $2,100 plus interest are due from September 2020 to January 2023, with the final payment of $2,380 due in February 2023.

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

2020 (Three months)	$	-
2021		178,900
2022		257,359
2023		14,980
Thereafter		-
	$	451,239

(Presented in Canadian Dollars)

12.LEASE LIABILITIES

As a result of initially applying IFRS 16, the Company recognized lease liabilities of $378,316 as of August 1, 2019 with $133,909 classified as current portion and $244,407 as non-current lease liabilities. Interest expense of $6,722 and $21,993 was recognized from these leases during the three and nine months ended April 30, 2020. Refer to note 3 for further details regarding the impact of the adoption of IFRS 16.

	April 30, 2020	July 31, 2019
Lease liabilities on transition to IFRS 16 - August 1, 2019	$ 378,316	$ -
Interest payable on lease liabilities	21,993	-
Repayments during the period	(104,012)	-
	296,297	-
Current portion	(124,160)	-
	$ 172,137	$ -

The following table presents the contractual undiscounted cash flows for lease obligations as of April 30, 2020:

Less than one year	$ 144,415
Two to five years	181,178
More than five years	-
	$ 325,593

13.CONVERTIBLE DEBENTURES

	April 30, 2020	July 31, 2019
Principal amount	$ 2,000,000	$ 2,000,000
Equity component on initial recognition	(500,347)	(500,347)
Accretion	141,275	69,022
Transaction costs	(25,484)	(25,484)
Accrued interest	218,443	150,000
	$ 1,833,887	$ 1,693,191

13. 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.

In April 2020, the Company obtained an interest deferral from one of the convertible debenture holders. The Company will therefore defer the interest payments due to this holder for April, July and October 2020 to maturity of the Note, totaling $56,148.

(Presented in Canadian Dollars)

13. CONVERTIBLE DEBENTURES (Continued)

The conversion feature of the Debentures meets the fixed for fixed criteria and should therefore be 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. 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 $98,715). The debt component is subsequently accounted for at amortized cost using the effective interest rate method. 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.

Scheduled interest payments under the Debentures are due as follows:

2020		93,579
2021		200,000
2022		200,000
2023		456,148
Thereafter		-
	$	949,727

14. SHARE CAPITAL

The Company has authorized an unlimited number of common shares and has 78,366,242 common shares issued and outstanding as at April 30, 2020 (75,251,848 as at July 31, 2019).

During the nine months ended April 30, 2020, warrant holders exercised 2,059,169 warrants at $0.05 for total gross proceeds of $102,958 and 585,140 warrants at $0.0675 for total gross proceeds of $39,497. In addition, 470,085 common shares were issued for warrants exercised prior to July 31, 2019 but not issued until August 2019, with a corresponding transfer of $35,471 related to this exercise from contributed surplus to share capital.

(Presented in Canadian Dollars)

15. SHARE-BASED PAYMENTS

A summary of the status of the Company's stock options as at April 30, 2020 and 2019 and changes during the nine months then ended is presented below:

	Nine months ended April 30, 2020			Nine months ended April 30, 2019		
	Number of Options		Weighted Average Exercise Price	Number of Options		Weighted Average Exercise Price
Outstanding - beginning of period	12,830,000	$	0.12	10,875,000	$	0.12
Granted	4,343,312		0.05	1,030,000		0.11
Exercised	-		-	-		-
Expired	(3,975,000)		0.15	(150,000)		0.15
Outstanding - end of period	13,198,312	$	0.09	11,755,000	$	0.12
Exercisable - end of period	7,089,015	$	0.11	8,097,078	$	0.12

The weighted average remaining contractual life of stock options as of April 30, 2020 is 3.57 years (July 31, 2019 - 3.57 years).

The Company had the following stock options outstanding as of April 30, 2020:

Number of Options Outstanding	Number of Options Exercisable	Exercise Price $	Expiry Date	Remaining Life (Years)
575,000	575,000	0.150	May 10, 2022	2.03
3,500,000	3,500,000	0.100	December 11, 2022	2.62
1,750,000	1,750,000	0.120	March 7, 2023	2.85
1,000,000	708,331	0.100	July 30, 2023	3.25
50,000	35,412	0.150	November 15, 2023	3.55
280,000	280,000	0.105	December 14, 2020	0.62
500,000	194,442	0.080	February 1, 2024	3.76
1,200,000	45,830	0.085	June 12, 2024	4.12
425,000	-	0.080	November 8, 2024	4.53
3,918,312	-	0.050	April 10, 2025	4.95
13,198,312	7,089,015			

15.SHARE-BASED PAYMENTS (Continued)

On April 10, 2020, the Company granted 3,918,312 options to an employee of the Company. Each stock option is exercisable into common shares of the Company at an exercise price of $0.05. 326,526 options vest on July 10, 2020 and thereafter the remaining options vest monthly over a period of 33 months. The options expire in five years from the date of grant.

On November 8, 2019, the Company granted 425,000 options to employees. Each stock option is exercisable into common shares of the Company at an exercise price of $0.08. One third of the options vest on November 8, 2020 and thereafter the remaining options vest monthly over a period of 24 months. The options expire in five years from the date of grant.

Each tranche of an award with a different vesting date is considered a separate grant of the calculation of fair value, and the resulting fair value is amortized over the vesting period of the respective tranches. During the nine months ended April 30, 2020, 3,975,000 options expired due to the cancellation of agreements, termination of employees and resignation of officers. The Company reversed the cumulative expenses previously recognized for expired and unvested options, and resulted share-based payments (recovery) in the current period.

The Company recognzied share-based payments for the three and nine months ended April 30, 2020 was $(8,706) and $88,532, respectively (three and nine months ended April 30, 2019 - $70,380 and $282,746, respectively), which was credited to contributed surplus and expensed to share-based payments.

16.SHARE PURCHASE WARRANTS

On December 28, 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.

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 nine months ended April 30, 2020, warrant holders exercised 2,059,169 warrants at $0.05 for total gross proceeds of $102,958 and 585,140 warrants at $0.0675 for total gross proceeds of $39,497. As a result, $59,626 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 warrants exercised on the date of issuance was $0.08.

(Presented in Canadian Dollars)

16.SHARE PURCHASE WARRANTS (Continued)

During the nine months ended April 30, 2019, warrant holders exercised 1,239,534 warrants at $0.05 for total gross proceeds of $61,977. As a result, $26,030 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 warrants exercised on the date of exercise was $0.12.

During the nine months ended April 30, 2020, 3,115,624 warrants with fair value of $73,804 expired.

A summary of the status of the Company's warrants as at April 30, 2020 and 2019 and changes during the nine months then ended is presented below:

	Nine months ended April 30, 2020		Nine months ended April 30, 2019	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding - beginning of period	6,129,933	$ 0.058	7,469,552	$ 0.053
Granted	-	-	320,000	0.105
Exercised	(2,644,309)	0.054	(1,239,534)	0.053
Expired	(3,115,624)	0.057	-	-
Outstanding - end of period	370,000	$ 0.102	6,550,018	$ 0.058

The Company had the following warrants outstanding as at April 30, 2020:

Number of Warrants Outstanding	Number of Warrants Exercisable	Exercise Price $	Expiry Date	Remaining Life (Years)
320,000	320,000	0.105	November 14, 2020	0.54
50,000	50,000	0.085	May 15, 2021	1.04
370,000	370,000			

(Presented in Canadian Dollars)

17. 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. The single reportable operating segment derives its revenues from sales of software-as-a-service ("SaaS") products and related professional services. The disaggregated revenue from contracts with customers by product line or geographic location to show the nature, amount and timing of revenue and cashflows could be affected by economic factors.

	Three months ended April 30, 2020	Three months ended April 30, 2019*	Nine months ended April 30, 2020	Nine months ended April 30, 2019*
Subscription and support	$ 359,652	$ 131,838	$ 910,909	$ 293,284
Services	697,411	430,503	2,065,188	1,443,324
	$ 1,057,063	$ 562,341	$ 2,976,097	$ 1,736,608

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

	Three months ended April 30, 2020	Three months ended April 30, 2019*	Nine months ended April 30, 2020	Nine months ended April 30, 2019*
Canada	$ 288,357	$ 412,437	$ 983,948	$ 1,439,868
USA	691,522	116,821	1,764,636	218,956
Other	77,184	33,083	227,513	77,784
	$ 1,057,063	$ 562,341	$ 2,976,097	$ 1,736,608

* For comparative purposes, the prior year revenues are restated subsequent to the discontinued operation (see Note 20).

(Presented in Canadian Dollars)

18. OTHER INCOME

The outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. Various levels of government and the Bank of Canada have responded with significant monetary and fiscal interventions designed to stabilize economic conditions. The efficacy of the government and the Bank of Canada's intervention to support business has come in various forms including Canada Emergency Wage Subsidy (CEWS) as a temporary measure. The CEWS program provides government assistance in the form of wage subsidy for qualifying businesses faced with specified levels of revenue decline designed to either retain workforce on payroll or to re-hire furloughed employees.

The CEWS program is applicable from March 15 to August 29, 2020 for eligible entities that have experienced a reduction in gross revenue for the period as determined by the program.

The Company has elected to compare the revenue during the availability period to the average of January and February 2020 revenues and are being calculated on accrual basis and included on a gross basis. Per program guidance, the Company determined it qualifies for the subsidy of $207,907 during the eligibility period using pre-crisis baseline remuneration.

Wage Subsidy (Monthly)		
March 2020	$	75,171
April 2020		132,736
Total	$	207,907

The assistance received from CEWS will reduce the amount of remuneration expenses eligible for other federal tax credits calculated on the same remuneration, such as Scientific Research & Experimental Development (SR&ED) investment tax credits for the Company. The Company continues to monitor proposed legislative changes to determine their effects on the Company at such time.

(Presented in Canadian Dollars)

19. EXPENSES BY NATURE

Cost of Sales - Subscriptions and Support

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

	Three months ended April 30, 2020	Three months ended April 30, 2019*	Nine months ended April 30, 2020	Nine months ended April 30, 2019*
Salaries and benefits	$ 36,086	$ 41,529	$ 133,628	$ 56,761
Subcontracting	6,952	17,735	28,029	33,259
Hosting	56,834	26,087	126,323	92,251
	$ 99,872	$ 85,351	$ 287,980	$ 182,271

Cost of Sales - Services

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

	Three months ended April 30, 2020	Three months ended April 30, 2019*	Nine months ended April 30, 2020	Nine months ended April 30, 2019*
Salaries and benefits	$ 142,876	$ 133,479	$ 396,918	$ 549,246
Subcontracting	203,919	41,103	725,085	163,362
Other production costs	5,819	16,491	19,622	57,084
Camera and teleprompter	-	-	-	1,400
	$ 352,614	$ 191,073	$ 1,141,625	$ 771,092

(Presented in Canadian Dollars)

19. EXPENSES BY NATURE (Continued)

Sales and Marketing Expenses

The components of sales and marketing expenses are as follows:

	Three months ended April 30, 2020	Three months ended April 30, 2019*	Nine months ended April 30, 2020	Nine months ended April 30, 2019*
Salaries and benefits	$ 369,358	$ 348,215	$ 1,255,994	$ 1,192,078
Advertising and promotion	92,479	65,106	343,899	281,204
Subcontracting	31,885	10,248	54,347	10,248
Travel	21,414	43,706	106,186	138,706
Meals and entertainment	3,549	8,901	26,548	36,958
	$ 518,685	$ 476,176	$ 1,786,974	$ 1,659,194

General and Administrative Expenses

The components of general and administrative expenses are as follows:

	Three months ended April 30, 2020	Three months ended April 30, 2019	Nine months ended April 30, 2020	Nine months ended April 30, 2019
Salaries and benefits	$ 180,945	$ 193,587	$ 610,545	$ 581,253
Professional fees	56,992	40,740	126,312	204,460
TMI and occupancy costs	20,433	49,714	60,433	164,524
Consulting	1,840	(847)	32,808	79,932
Computer and software	33,038	43,178	131,208	107,368
Training and recruitment	2,401	3,863	15,235	7,133
Office and general	(634)	8,102	26,080	37,472
Telecommunications	8,573	9,793	26,933	33,802
Stock exchange expense	12,736	25,454	38,773	55,622
Insurance	6,586	7,519	19,340	17,370
Foreign exchange	(33,881)	(10,180)	(32,450)	(11,759)
	$ 289,029	$ 370,923	$ 1,055,217	$ 1,277,177

(Presented in Canadian Dollars)

19. EXPENSES BY NATURE (Continued)

Research and Development Expenses

The components of research and development expenses are as follows:

	Three months ended April 30, 2020	Three months ended April 30, 2019*	Nine months ended April 30, 2020	Nine months ended April 30, 2019*
Salaries and benefits	$ 306,211	$ 144,966	$ 908,863	$ 361,168
Subcontracting	73,625	39,757	268,261	85,734
Research and Development-Other	8,536	-	8,536	-
OIDMTC claim	(215)	-	(14,676)	-
Income SR&ED	-	77,119	-	77,119
Income IRAP (INDIVIDEO)	-	(172,713)	-	(172,713)
	$ 388,157	$ 89,129	$ 1,170,984	$ 351,308

* For comparative purposes, the prior year expenses are restated subsequent to the discontinued operation (see Note 20).

20. DISCONTINUED OPERATIONS

On September 4, 2019, the Company sold its DigitalReach platform and Broadridge's Smart Advisor application to an U.S. company for $2,300,000 in cash. The operations of DigitalReach and Smart Advisor have been transferred to the U.S. company and are presented as discontinued operations in the consolidated statement of net income (loss) and comprehensive income (loss) for the current and prior period.

The gain on sale is calculated as follows:

	2020
Cash proceeds	$ 2,300,000
Transaction costs	(33,263)
Net sale proceeds	2,266,737
Net assets sold	(50,532)
Gain on sale	$ 2,216,205

(Presented in Canadian Dollars)

20. DISCONTINUED OPERATIONS (Continued)

The financial performance presented are for the three and nine months ended April 30, 2020 and 2019. The results of discontinued operations that have been restated are as follows:

	Three Months Ended April 30, 2020	Three Months Ended April 30, 2019	Nine Months Ended April 30, 2020	Nine Months Ended April 30, 2019
REVENUE				
Subscriptions and support	$ -	$ 224,436	$ 83,801	$ 649,293
Services	1,200	175,451	1,200	301,289
	1,200	399,887	85,001	950,582
COST OF SALES				
Subscriptions and support	-	18,322	3,346	51,179
Services	-	98,837	8,664	325,420
	-	117,159	12,010	376,599
GROSS PROFIT	1,200	282,728	72,991	573,983
EXPENSES				
Research and development	-	188,091	35,016	514,677
General and administrative	26,927	-	46,222	-
Sales and marketing	-	6,570	2,283	18,276
Amortization of intangible assets	-	7,468	2,489	22,404
Total expenses	26,927	202,129	86,010	555,357
INCOME (LOSS) FROM OPERATIONS	$ (25,727)	$ 80,599	$ (13,019)	$ 18,626
Gain on sale	-	-	2,216,205	-
NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS	$ (25,727)	$ 80,599	$ 2,203,186	$ 18,626

(Presented in Canadian Dollars)

21. 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 three and nine months ended April 30, 2020 and 2019, were all paid to key management personnel and were as follows:

	Three Months Ended April 30, 2020	Three Months Ended April 30, 2019	Nine Months Ended April 30, 2020	Nine Months Ended April 30, 2019
Salaries and benefits	$ 237,321	$ 245,750	$ 911,221	$ 852,376
Share-based payments (i)	(17,961)	49,585	37,708	194,364
	$ 219,360	$ 295,335	$ 948,929	$ 1,046,740

i) Share-based payments for officers/directors is comprised of the vested value of stock options expensed during the three and nine months ended April 30, 2020 and 2019.

22. FINANCIAL INSTRUMENTS

Credit Risk

Credit risk arises when one party to a financial instrument will cause a financial loss for the other party by failing to discharge its obligation. The Company 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. The amounts reported for trade receivables in the consolidated statement of interim financial position is net of allowances for credit losses and the net carrying value represents the Company's maximum exposure to credit risk.

Management regularly reviews the credit terms and monitoring the age and balances outstanding. Payment terms with customers are normally 30 days from invoice date. For the nine months ended April 30, 2020 has recorded a provision for Expected Credit Losses of $8,113 (July 31, 2019 - $3,929).

(Presented in Canadian Dollars)

22. FINANCIAL INSTRUMENTS (Continued)

Credit Risk (Continued)

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

	ECL %	April 30, 2020	July 31, 2019
Current	0.5%	$ 340,268	$ 178,995
Over 30 days past due	1.0%	49,344	250,624
Over 60 days past due	2.5%	142,254	22,639
Over 90 days past due	5.0%	32,657	8,091
Over 120 days past due	10%	5,035	(1,108)
Less: Provision for ECLs		(8,113)	(3,929)
		$ 561,445	$ 455,312

Liquidity Risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they fall due. The Company currently settles its financial obligations such as accounts payable out of cash. The Company's future liquidity is dependent on factors such as the ability to generate cash from operations and to raise money through debt or equity financing. The Company has disclosed in Note 2 to these condensed consolidated interim financial statements the existence of circumstances which would raise doubt about its ability to continue as a going concern.

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, its term loans and convertible debentures, which are repayable in various monthly & quarterly installments as discussed in note 11 & 13. 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 April 30, 2020, the Company had cash on hand of $176,442 and accounts receivable of $561,445 to meet working capital requirements.

As at April 30, 2020, the Company's current liabilities exceed current assets by $1,276,567 (as of July 31, 2019, current liabilities exceed current assets by $1,252,410). Of this amount, $1,169,904 ($1,493,227 - July 31, 2019) relates to contract liabilities (Note 10), which is expected to be settled through the performance of service in the normal course. The current liabilities also include $165,500 short term debt (Note 9) and current portion of term loans of $100,700 (Note 11).

22.FINANCIAL INSTRUMENTS (Continued)

Liquidity Risk (Continued)

The Company has no current commitments for capital expenditures as of the date hereof. Trade and other payables are due within the next 12 months. Convertible debentures that were issued on October 31, 2018 have an interest only payment due quarterly with next payment on July 31, 2020 until their maturity date (Note 13).

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).

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 April 30, 2020, the Company's foreign denominated monetary assets and monetary liabilities expressed in USD$ is $240,902 (July 31, 2019 - USD$541,094) and converted at the quarter and fiscal year end exchange rate of 1.39 and 1.31, respectively. For the nine months ended April 30, 2020, the Company recognized a gain on foreign exchange of $32,450 (nine months ended April 30, 2019 - gain of $11,759) as a result of volatility of the US dollar.

22.FINANCIAL INSTRUMENTS (Continued)

Exposure to Currency Risk

		April 30, 2020		July 31, 2019
		Expressed in USD$		Expressed in USD$
Cash	$	98,471	$	438,524
Trade receivables		178,213		127,140
Trade payables		(35,782)		(24,570)
Net statement of financial position exposure (USD$)	$	240,902	$	541,094
Average USD to CAD exchange rate	$	1.34	$	1.32
Spot rate USD to CAD exchange rate	$	1.39	$	1.31

Sensitivity Analysis

A reasonably possible (strengthening) weakening of the CAD against the USD on April 30, 2020 and July 31, 2019 would have affected the measurement of financial instruments denominated in foreign currency and affected profit or loss by the amount shown 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 $16,755 (July 31, 2019 - $35,572). To date, the Company has not entered into financial derivative contracts to manage exposure to fluctuations in foreign exchange rates.

	April 30, 2020 (spot rate)				July 31, 2019 (spot rate)			
		Strengthening		Weakening		Strengthening		Weakening
USD (5% movement)	$	1.46	$	1.32	$	1.38	$	1.25
USD (10% movement)		1.53		1.25		1.45		1.18
Impact: Profit and Loss								
USD (5% movement)		16,755		(16,755)		35,572		(35,572)
USD (10% movement)	$	33,509	$	(33,509)	$	71,143	$	(71,143)

22.FINANCIAL INSTRUMENTS (Continued)

Sensitivity Analysis (Continued)

At statement date due to COVID-19 pandemic, the USD is still holding onto some of the flight to safety strength. We expect the USD to slowly give up strength and CAD to recover as fears of pandemic gradually abate. Taking into consideration the expected weakening of the USD relative to CAD, we expect to give back a portion of the gains realized in the current quarter.

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 and convertible debentures.

Fair Value

As at April 30, 2020, the carrying value and fair value amounts of the Company's financial instruments are approximately the same. The Company does not believe there would be any material movements as a result of changes in interest rates or foreign exchange rates.

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

23. SUBSEQUENT EVENTS

(a) In December 2019, a novel strain of coronavirus ("COVID-19") emerged in Wuhan, China. Since then, it has spread to several other countries and infections have been reported around the world. Canada confirmed its first case of COVID-19 on January 25, 2020 and its first death related to COVID-19 on March 9, 2020. On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 a global pandemic. In response to the outbreak, governmental authorities in Canada and internationally have introduced various recommendations and measures to try to limit the pandemic, including travel restrictions, border closures, non-essential business closures, quarantines, self-isolations, shelters-in-place and social distancing. The COVID-19 outbreak and the response of governmental authorities to try to limit it are having a significant impact on the private sector and individuals, including unprecedented business, employment and economic disruptions. While the Company has seen an increase in demand due to the inherent benefits of our IndiVideo technology, the continued spread of COVID-19 nationally and globally could have an adverse impact on our business, operations and financial results, as well as a deterioration of general economic conditions including a possible national or global recession. Due to the speed with which the COVID-19 situation is developing and the uncertainty of its magnitude, outcome and duration, it is not possible to estimate its impact on our business, operations or financial results; however, the impact could be material. We do not expect any credit losses on any amounts due from customers as we continue to engage in business with banks, insurers and pension fund management firms that are expected to retain a high credit worthiness.

(b) In May 2020, the Company announced a proposed non-brokered private placement financing to raise gross proceeds of up to $1,500,000 through the issuance of unsecured convertible debentures (the "May 2023 Debentures"). The May 2023 Debentures have the following terms:

- Mature on May 31, 2023
- Bear interest at 10% per annum and will be paid annually. Subject to the TSX Venture Exchange approval, at the holders request, the Company shall pay the interest in kind by way of Common Shares based on the volume-weighted average trading price of the Common Shares for the ten (10) days prior to when the interest payment is due.
- The May 2023 Debentures shall be convertible into Common Shares at the option of the holder at $0.06 per share during the first 12 months of the term and at $0.10 per share in the final 24 months of the term.